CITY OF PRESCOTT
ARIZONA

Water Management and Calendar Year 2017 Alternative Water Allocation Policy

Resolution No. 4368-1577

Effective January 1, 2017, to December 31, 2020

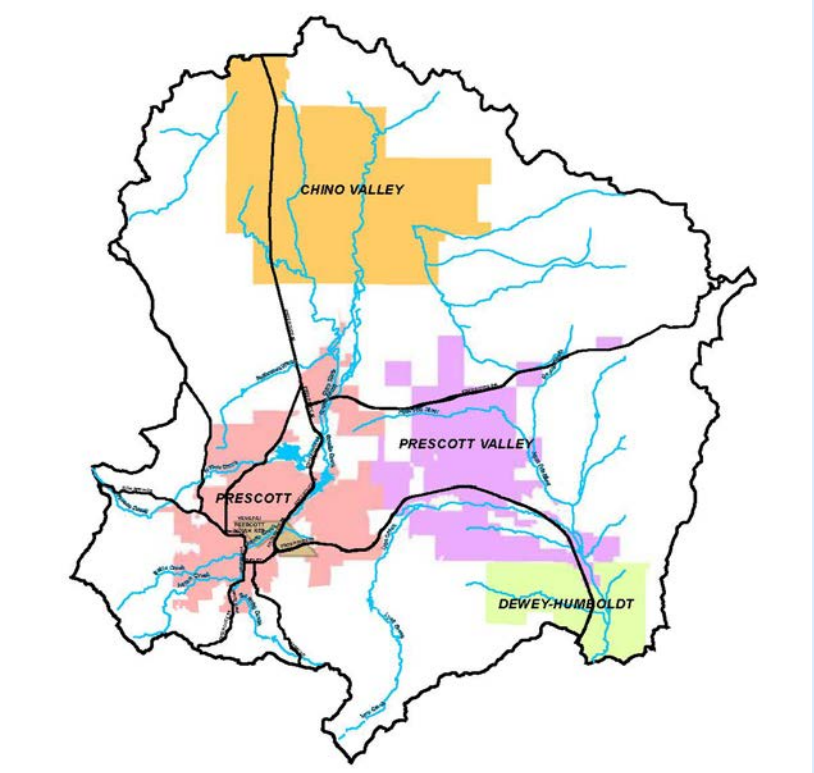
Section 1: Introduction

The City manages its water resources to ensure supplies are sufficient for current and future demand. These supplies are managed by a team of professionals who operate infrastructure (wells, pipes, storage tanks), monitor physical resources (groundwater, surface water, and reclaimed water), and integrate physical supplies with State and City water management requirements (i.e. Assured Water Supply document and City Codes). In order to coordinate the movement and quantity of physical water supplies within regulatory requirements, the City of Prescott Water Resource Portfolio is managed similar to financial accounting principles including: account deposits, withdrawals, creation of savings and subaccounts, and allocations. While, this Water Management Policy references infrastructure and physical supplies, it is intended to serve as a Water Resource Management document providing information on the policies that guide water supply protection and use, basic physical supply information, alternative water allocation, and how those are integrated to ensure healthy and stable water supplies for the community.

Section 2: State and City Water Supply Management Requirements

The City resides within the State of Arizona Prescott Active Management Area (PrAMA), ***Figure 1***, as defined in State law (Title 45), and must adhere to those requirements set forth. Since 1999, the City has held a State of Arizona Decision and Order (D&O) of Assured Water Supply (AWS) serving as evidence to the City's commitment to provide a secure water supply, now and into the future. Through City Codes additional water management policies are adopted to tailor water allocation to reflect the complexity of the infrastructure, community's growth patterns, and the regional economy. The next two sub sections provide information on water supply management requirements, both State and City.

Figure 1: Prescott Active Management Area



Section 2.a. State Requirements

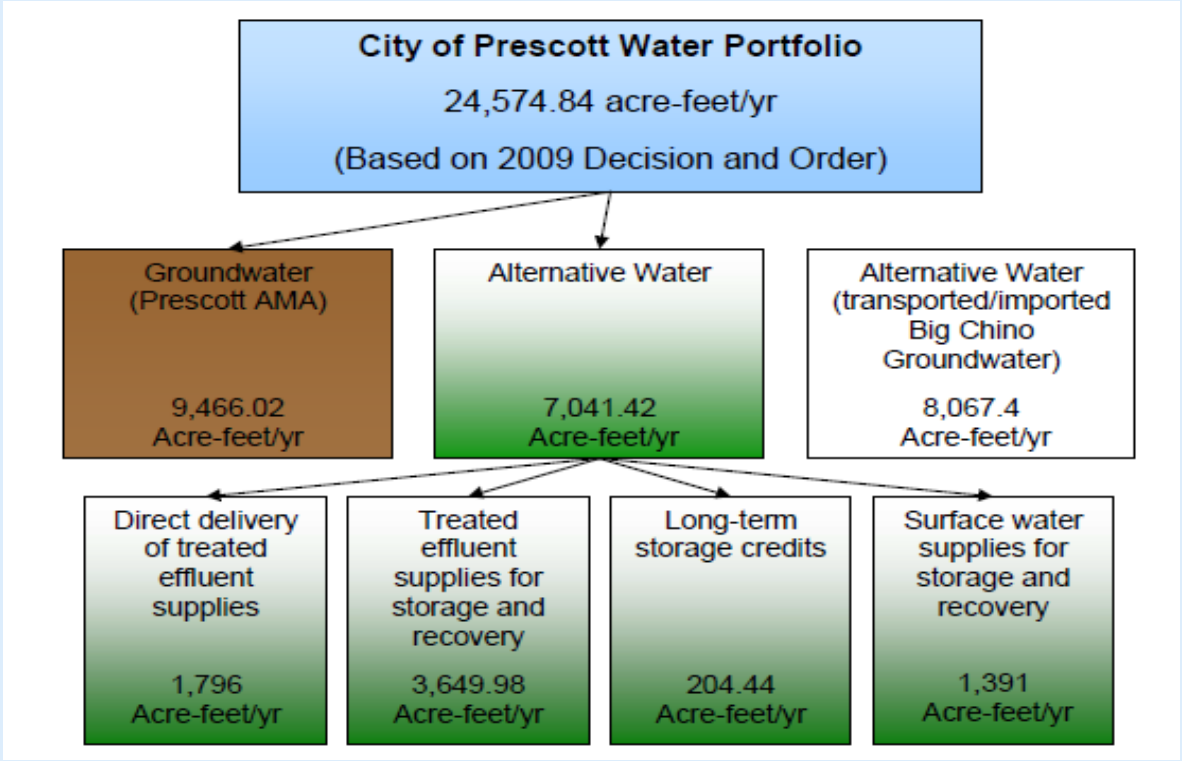
City Policy: Meet all state requirements as identified in A.R.S.§ 45 and 49

The City of Prescott water service area is located within the PrAMA established under the Arizona Groundwater Management Act (GMA) 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.

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 updated periodically to reflect water resource availability. The City is currently operating under the 2009 D&O (ADWR AWS No. 86-401501.0001), ***Figure 2***, with supplies limited alternative water supplies remaining from the 2005 D&O.

Figure 2: Summary of the City's 2009 Decision and Order



City Policy: Uphold the City's Decision and Order of Assured Water Supply

The City of Prescott 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. The City 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 accordance with Arizona Department of Environmental Quality). Further, 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. A Designation of Assured Water Supply is the highest standing that a water provider can seek from ADWR, and requires demonstration that a water 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 D&O quantifies the City's available physical supplies. The types, sources, and volumes of water identified by the City's D&O, ***Figure 2***, have increased over time.

The status of each block in relation to this policy:

Groundwater: This quantity, 9,466.02 acre-feet (AF), is not a volume that is allocated by the City, but in accordance with Arizona Revised Statutes. This supply supports the majority of water needs in the City limits that were recognized circa 1998; it is referred to as "current and committed demand."

Alternative Water: Limited supplies remain available from this portion of the portfolio. The majority of the available supply has been placed into post-1998 contracts or reservations for future use. This is the portion of the portfolio that is allocated in accordance with Section 5 of this policy.

Alternative Water (transported/imported): This portion of the portfolio relates to the volumes and authorities the City has within the Big Chino Sub-basin. In the future this supply will be may be allocated similar to other alternative supplies. At this time, this water is not being placed into any new contracts.

Section 2.b. City Requirements

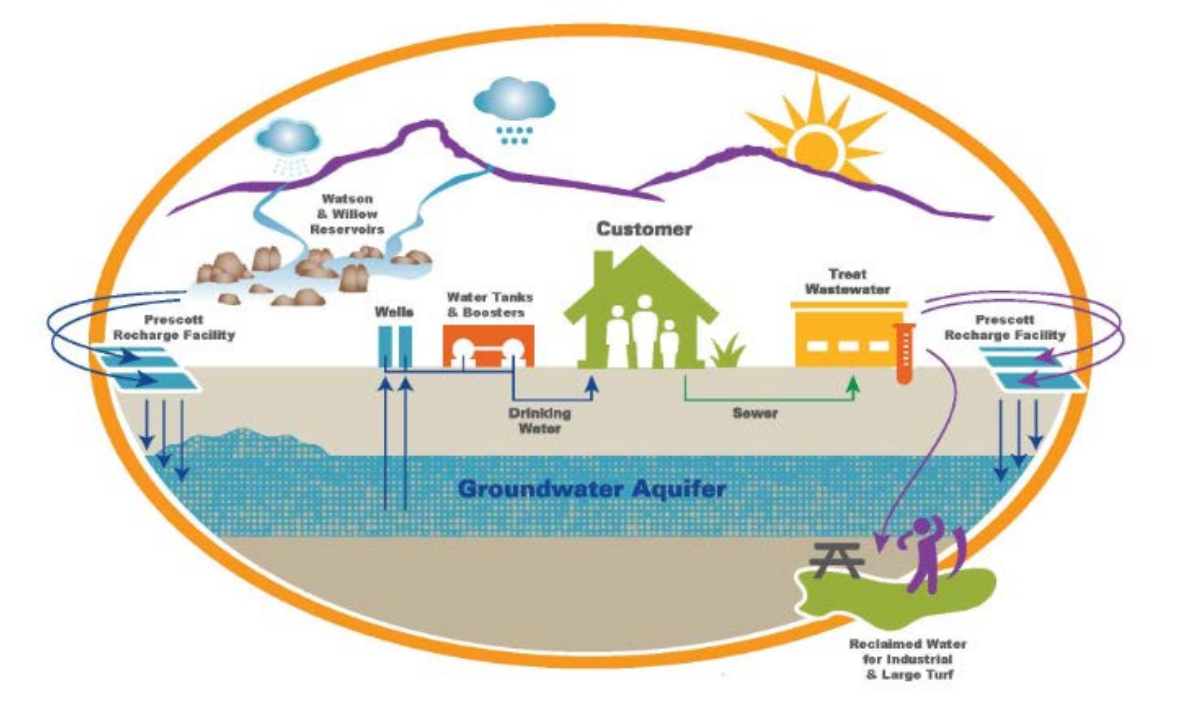
City Codes are modified over time to meet community water supply conditions. To support codes, there are also policies. City Code 2-1-12, identifies that the City can further outline water management through policy. This document is one such policy, providing an overview of water supplies yet its focus is the allocation of alternative water supplies as shown in the D&O.

This document will be updated as needed and the yearly allocation of supplies will be recommended to the Council no later than the beginning of each Calendar Year. For more information on the City's alternative water allocation policy see Section 5.

Section 3: Physical Water Supplies

The City of Prescott relies primarily on groundwater for water supply. Therefore, in order to protect this supply, the City augments the groundwater, as outlined in state laws, by using surface water from local reservoirs and reclaimed supplies (treated effluent) to recharge the aquifer. Additionally, the City has secured groundwater supplies in the neighboring Big Chino sub-basin for use in the future. Water supplies are delivered to homes and businesses according to the Prescott Water Cycle, ***Figure 3***, a synergy of the natural water cycle in combination with the City's infrastructure.

Figure 3: City of Prescott's Urban Water Cycle



The processes of the natural hydrologic cycle—condensation, precipitation, transportation, and evaporation—operate on a global scale, continuously moving water around the planet. But, on a local scale, the natural water cycle is altered by man-made systems, designed to provide water to homes and businesses, prevent flooding, store the water for later use, and for many other benefits. Just as water circulates continuously in the global water cycle, water in Prescott also circulates continuously in The Prescott Water Cycle, a unique and efficient water cycle that is designed to maintain a sufficient water supply for our community now and into the future.

Sources

Prescott has three water sources: surface water from Watson and Willow Reservoirs, reclaimed water, and groundwater. (***Figure 3*** - Groundwater Aquifer, Watson and Willow Reservoirs, and Prescott Recharge Facility)

Water Production and Treatment

The majority of City water, composed of recharged surface water, recharged reclaimed water, and naturally occurring groundwater, is pumped from six (6) wells in Chino Valley. The water is pumped into a five (5) million gallon reservoir at the Chino Production Facility, and from there pumps convey it to Prescott via high-pressure water mains. Thirty (30) water storage tanks/reservoirs and thirty-eight (38) booster stations are maintained to provide water throughout more than sixty-six (66) pressure zones that serve the City. The thirty (30) storage tanks contain up to thirty-four (34) million gallons of storage. Two (2) additional wells have been drilled near the City Airport to meet existing and future demands in the area. The City's water quality is excellent, requires very little treatment, and is monitored daily to ensure the highest quality. (***Figure 3*** – Wells)

Water Distribution

After treatment, finished water is distributed to customers through a pressurized system of pipes, pumps, valves, and storage tanks. The City's water distribution system begins in Chino Valley and water is distributed to homes and businesses through approximately 500 miles of water pipes that are maintained. While much of this infrastructure is buried and invisible, it is an important system that ensures that water is available when and where we need it. The Public Works Utilities Division also maintains fire hydrants, valves, meters and manages a cross-connection prevention program. (***Figure 3*** – Wells, and Water Tanks & Treatment

Use

Water customers use the supplied water for various purposes including: industry, business, and residential. Practicing a low water-use lifestyle is a way everyone can help ensure a long-term, sufficient water supply and reducing pollutants, such as debris and chemicals, from our yards will keep our water healthy. (***Figure 3*** – Customer)

Wastewater Collection

Wastewater Collections is responsible for the operation and maintenance of the city sewer collection system. The opposite of distribution, wastewater collection systems (sewers) collect used water and convey it, usually by gravity, to a wastewater treatment facility. This occurs

through a network of 400 miles of sewer pipes, 8,200 manholes and 63 lift stations. System maintenance includes mainline repairs, manhole rehabilitation, pump replacement/repairs and response to customer service requests. (***Figure 3*** – Customer to Treat Wastewater)

Wastewater Treatment

Wastewater collected by the City sewer system flows to the Wastewater Treatment Plants, where it undergoes a multi-faceted biological process to separate out the solids and treat the water for reuse and recharge. The treated water, called effluent or reclaimed supplies, is sold for use in watering golf courses and industry to reduce potable water demand. The solids are used in land application and/or hauled off to a landfill for cover. (***Figure 3*** – Treat Wastewater)

Recharge

The reclaimed water that is not used in direct reuse is recharged to the aquifer, along with surface water from the reservoirs, and the cycle begins anew. (***Figure 3*** – Prescott Recharge Facility)

Section 4: Water Management – Integrating Physical Supplies and Legal Requirements

Arizona has a premier water management policy structure dating back to 1980. It has extended the water supplies for many population centers in Arizona. The City has managed community supplies as populations have grown, laws have become more rigorous, and weather patterns have changed. Each subsection below provides a brief explanation of how the physical supplies are integrated with the supplies outline in legal water documents.

Section 4.a. Water Management and the City's General Plan

City Policy: Continue to evaluate and address the community's water supplies within the City's General Plan

In 1988, the State first required Arizona cities to prepare a General Plan as part of the "Growing Smarter/Growing Smarter Plus" legislation. The City's latest General Plan (voter approved August 25, 2015) can be located on the City's website at http://prescott-az.gov/services/planning/general_plan.php. This plan continues to integrate water resource availability with the possible growth and community's preferred future. Current expectations within the general plan estimate a build-out population between 60,000 – 70,000 people.

Section 4.b. Water Management and Conservation Planning

The City has built a strong foundation for water conservation that has set the standard for maintaining a water conservation program capable of, and encouraged to, adapt and grow to address the next generation of water conservation issues. As far back as 1924[1], the Mayor and Council resolved that it had become "necessary to conserve and protect

the water supply of the City of Prescott" and set into motion a long history of water conservation. Since then, community water conservation efforts have matured alongside evolving technology and a changing society. The State of Arizona GMA was adopted in 1980[2], which among many requirements, included laws that would lead to greater water conservation in all sectors and had the effect of setting the stage for the coming decades.

City Policy: Continue to assess the community's water supplies to provide education and tools to assist home and business owners with basic and advanced conservation methods.

Water Conservation Highlights of the City of Prescott

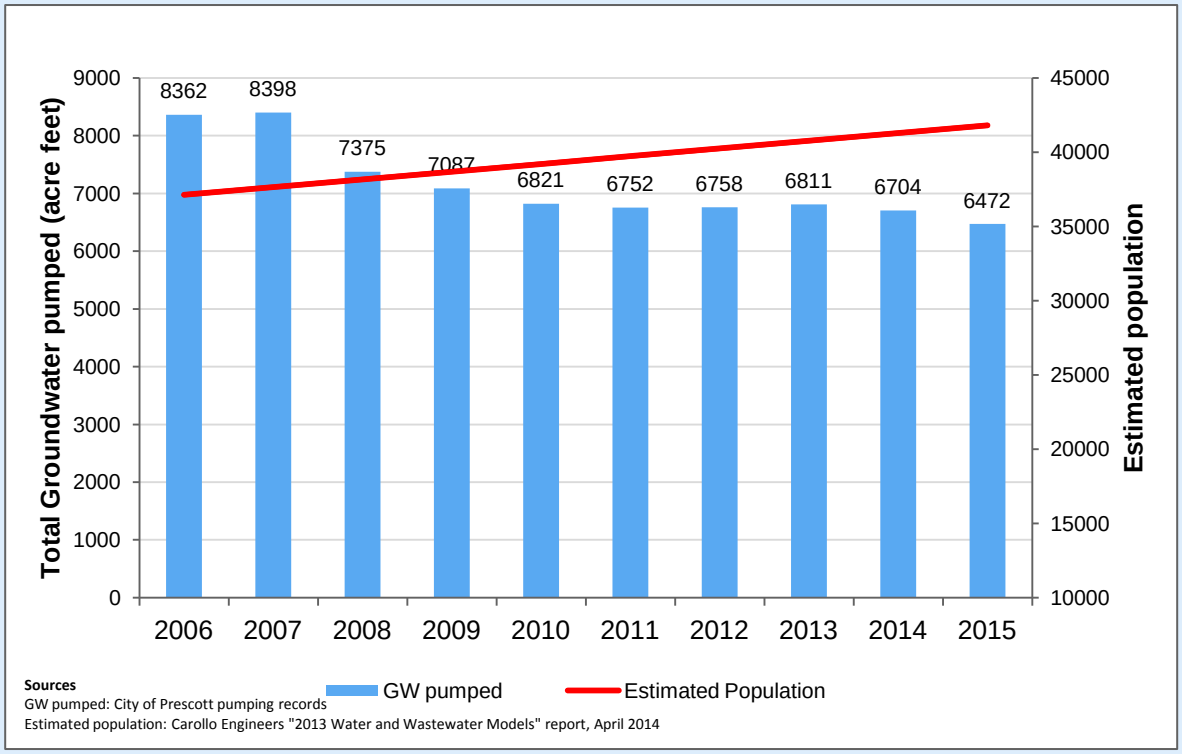
- 1981 - The City created an Energy and Resource Task Force[3]; whose accomplishments included development of a low-water use native plant list suitable for the Prescott area as well as the adoption of a Water Conservation Code in 1982[4] for the purpose of establishing maximum flow rates for plumbing fixtures and other devices to conserve water.
- 1987 - The Water Conservation Code was amended[5] to restrict the filling of artificial lakes with potable water as it "hinders water conservation"; in 1990 it was determined that water meters should be read on a monthly basis[6], instead of quarterly, to promote water conservation.
- 1992 - Due to the "specific interest in prudently managing its water resources, of which there is only a finite supply"[7], the City implemented an Incentive Program to provide rebates to customers for water conservation efforts, prohibited the use of spray fountains, and declared it unlawful to allow potable water to be used for irrigation or be allowed to flow in the streets.
- 2004 - A Water Conservation Committee was formed[9] to review the water conservation code and program.
- 2006 – A Water Conservation Code amendment[10] restricting outdoor watering times during summer months, a water rate study and increase in 2006, and continuous updates to the Incentive Program.
- Since 2007 - The total groundwater pumped to serve water customer needs has decreased each year, even with a growing population (***Figure 4***). Gallons per capita per day (GPCD) measures how much water is used per person per day in a community. This is one of the most common measures of water use, and enables comparisons of water use to other water users inside and outside the community. City of Prescott GPCD has been on the decline since 2002 (***Figure 5***).

- Beginning in September 2009, the City has been regulated under the state's "Modified Non-Per Capita Conservation Program" which requires implementation of a public education program and five additional water conservation measures (Best Management Practices) to be documented in a Conservation Efforts Report each year.

  City of Prescott Best Management Practices (BMPs) include:

  - Local and/or Regional Messaging
  - Residential Interior Retrofit Program
  - Public Education – Outdoor Landscaping
  - Youth Conservation Education Program
  - Landscape Water Restrictions
  - Incentive (outdoor) – Landscape Conservation Rebate

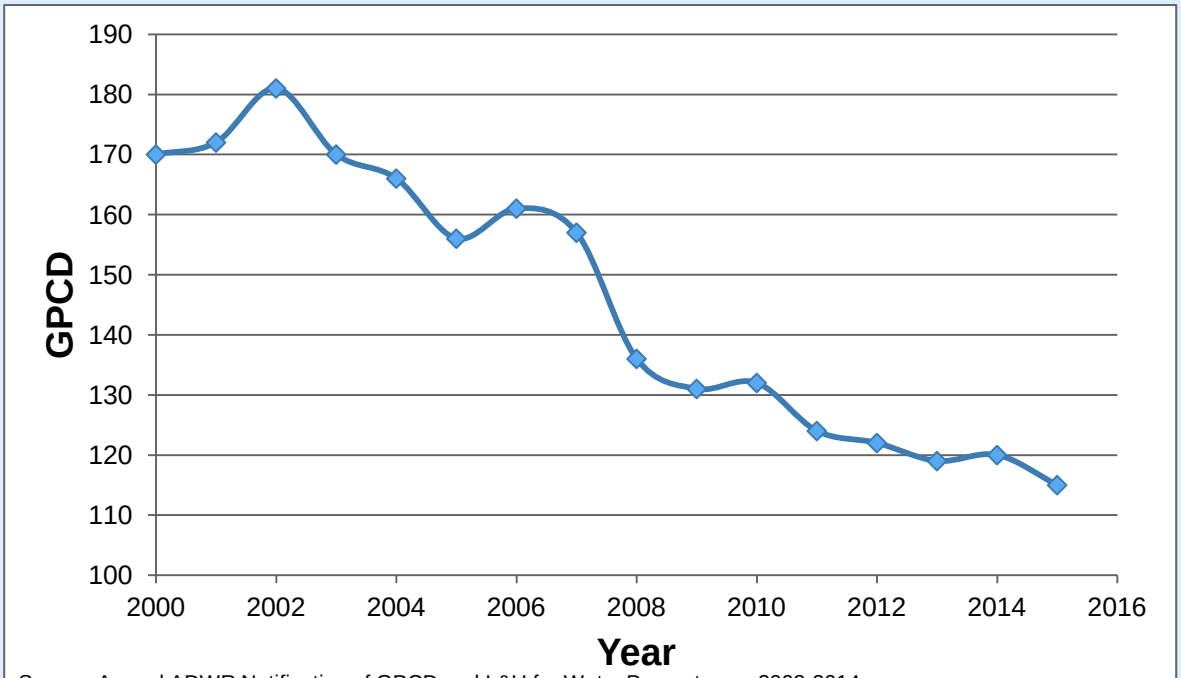
Figure 4: Population Served and City of Prescott's Groundwater Pumping



Through these efforts, the City has bettered the state water conservation requirements for both gallons per capita use and system losses (water line breaks or older main replacements). In January 2017, the ADWR Fourth Management Plan will go into effect. During this management plan period, the City will return to the GPCD program;

however, the City will continue to develop and expand upon certain BMPs to further increase effectiveness of the Water Conservation Program.

Figure 5: City of Prescott Gallons Per Capita Per Day (GPCD)



Source: Annual ADWR Notification of GPCD and L&U for Water Percentages: 2002-2014

References:

1	Resolution No. 76 - March 3, 1924	6	Ordinance No. 2154 – Feb 27, 1990
2	Resolution No. 1669 – March 23, 1981	7	Ordinance No. 2377 – May 12, 1992
3	A.R.S. § 45		
4	Ordinance No. 1596 – Sept 13, 1982	8	ADWR Report on the Final Decision and Order that the Prescott Active Management Area is no longer at Safe-Yield. - Jan 12, 1999.
5	Ordinance No. 1884 – May 12, 1987	9	Prescott City Council Regular Meeting – August 10, 2004
		10	Ordinance No. 4536 – April 11, 2006

Section 4.c. Water Management and Drought Planning

Prescott is located in the Central Arizona Highlands of AZ, in the Southwestern US, where droughts have occurred regularly throughout history. While much the Southwest is confronting the challenges of an ongoing 15 year drought, the City has worked continuously, through State and local laws, to plan for resilient water supplies. Recognizing the historical and current drought conditions, the City is committed to drought preparedness.

In 2005, the Arizona Legislature passed a law (HB 2277) that required all Arizona water providers to develop a drought preparedness and response plan. City codes regarding water resource shortages (including drought conditions) have been in effect since 1992. The City's first State required Drought Plan was completed in 2007; thereafter it is updated every 5 years.

It is important to note that it would take severe or prolonged drought to cause the City to suspend normal water services and mandate water reduction measures. Nonetheless, deep and prolonged droughts can occur and the City has maintained a Drought Management Plan in preparation.

The City of Prescott's Drought Management Plan is founded on five fundamentals:

1. To provide a quantity of adequate water meeting required quality standards to assure the safety, health, and welfare of the public including wildfire prevention.
2. To minimize disruption of economic, business, and residential activities.
3. To maintain public trust through effective communication with residents and businesses in implementing the plan.
4. To provide a balanced and equitable plan, in which all water customers share the impacts and responsibilities in proportion to the amount of water used in accordance with legal documents, and the magnitude of the water shortage.
5. To provide a comprehensive, logical, and coordinated plan that is effective, practical and flexible.

In addition, the City's Water Conservation Code includes provisions for restrictions during water shortages, (Prescott City Code, § 3-10-11), and provides flexibility for use in any foreseeable water supply emergency. The City Manager can declare Water Resource Status Levels based on the relationship between water demand and municipal safe production capability. These Water Resource Status Levels correspond to a mandatory Water Conservation Level that will take effect upon notice of the declaration.

City Policy: Continue to monitor the community's water usage in accordance with City Code requirements for Resource Status Levels and associated Water Conservation Levels.

Section 4.d. City's Assured Water Supply and Water Loss

Water conservation by the end user, homes and business, is just as important as ensuring that the water delivery system is efficient. The State terms this efficiency as a requirement to reduce system water losses. State statutes define the system losses as not to exceed 10%. Each year the City files information to the State and the City's system losses are examined; the City has not had losses above 10% since 2005 (and likely earlier). The City manages the system losses by documenting any unmetered uses, and through systematic processes identifies capital improvement projects for the replacement of aging infrastructure.

Section 4.e. City's Assured Water Supply and Infrastructure Planning

The City is an Assured Water Provider for over 40,000 people, like other providers of water supplies; hydraulic modeling is applied to ensure the existing and future infrastructure meets all engineering standards. Through modeling, existing and future needs can be assessed as the community reaches build-out (see the City's General Plan). The City's Decision and Order of Assured Water Supplies is included in the hydraulic modeling exercises and updates.

Section 5: City's Decision & Order (D&O) and Calendar Year 2017 supply allocation

This section of the policy is intended to be updated each year as supplies from the City's alternative water portion of its portfolio are available for placement into water service agreements (contracts). For additional background information regarding the City's portfolio, see the *City of Prescott, Alternative Water Allocation Policy, Calendar Year 2016* (Resolution No. 4328-1537) or http://www.prescott-az.gov/services/water/resources.php

Section 5.a. Summary of Alternative Water Allocations (1999-2016)

From 1999 to December 6, 2016, 2,125.74 AF have been placed into contracts while 1,334.73 AF remain in reservations. During Calendar Year 2016 (as of 12/06/2016), 224.15 AF were placed into contract or set aside to meet a historic contractual obligation.

Section 5.b. Water Allocation Policies and Volumes for Calendar Year 2017

The policies are organized in three categories: (1) Overall Requirements, (2) 2017 Budget, and (3) Reservations.

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 1 – 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. All other requests must be approved by the City Council.

Policy 2 – Water will be allocated in the amounts of 0.35 AF and 0.25 AF per residential unit for Single Family Residential and Multi-Family Residential, respectively.

Policy 3 – The Water Resource Manager may request a water demand analysis for any non-residential uses to assure infrastructure and supply sufficiency.

Policy 4 - Water service agreement applications will be accepted with the submission of a building permit, site plan, or preliminary plat application (see Section 5.b. Water Allocation Procedure).

Policy 5 - Alternative water contracts that expire during Calendar Year 2017 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 (subject to water availability)

Policy 6 – When a Water Service Agreement expires, the associated volumes of water will be returned to the General Pool or original contractual reservation, as applicable.

Policy 7 – Alternative water will not be allocated to support lot splits occurring in subdivisions that have a groundwater allowance. Alternative water will only be allocated per policy to support lot splits occurring in vacant, residentially zoned tracts identified in the associated reservation (see Category 3). Splits of unsubdivided lots (no groundwater allocation), not identified in the vacant residential reservation, may be supported by alternative water with connection to the City's sewer system.

Policy 8 – 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) or as associated with Zone 19 tank land acquisition.

Policy 9 - No single project will be allocated more than 50% of the water remaining in its corresponding category, with the exception of certain Pre-Existing/Historical Agreements (Category 3).

Policy 10 – 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 grandfather rights (Attachment 1).

Policy 11 – Any unallocated water remaining in the General Pool as of December 31 of the Calendar Year may be considered by the Council in setting the water budget for the following Calendar Year.

Policy 12- Contracts shall contain performance criteria appropriate to the project, including, a termination date. In the event of termination, all unused volumes of water reserved for the entire property shall likewise be terminated.

Policy 13– Water service agreement applications will expire one (1) year from the date of the application.

Policy 14 – New applications for water service agreements to serve apartments shall be accepted but not acted upon during the 2017 calendar year, unless it is a project for which a portion of the needed water supplies have been allocated in an earlier contract, a project was in process during Calendar Year 2016, or is an “Exhibit A” project (Attachment 2). The City shall prepare a report assessing inventories and demands for apartments and other housing types within the City limits. Findings will be reported to the City Council as input for the Calendar Year 2018 Alternative Water Allocation policy and budget.

Policy 15 – Water supplies set aside for “Exhibit A” projects (Attachment 2) will expire June 30, 2017. A complete application must be filed in accordance with Section 5 no later than June 30, 2017, 2:00pm.

Policy 16 – Well(s) on any property to be served by City water must be officially abandoned with the Arizona Department of Water Resources.

Policy 17 – All projects must connect to the City sewer system prior to physical delivery of any water reserved in a Water Service Agreement.

Category 2: 2017 Alternative Water Supplies for Placement into Contract

Overall budget: 270 AF	
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 (May 2019).
2017 Water Budget = 170 AF	
Residential	Commercial
Quantity: 70 AF	Quantity: 100 AF
Project must meet all City Codes	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 shall remain in place, and not be modified by this Policy.

2. The reservation for Vacant, Residentially-Zoned Tracts within the City on December 6, 2016, was 431.3 AF. Starting January 1, 2017, the balance will be 381.3 AF (Category 3, 2.C.) Water from the current balance (381.3 AF) 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 (Ewin and Iron Springs) is 58.5 AF. In 2016, it was verified that both Prescott Riviera and Rancho Vista meet the State of Arizona laws to be "current and committed" groundwater demand. As of December 6, 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. If, during the remainder of Calendar Year 2017, 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 December 6, 2016, the volume remaining is 1,756.4 AF (856.4 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.

Water Allocation Procedure

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 the 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 5.b.).

2. Site Plan Review and Approval

    A. Contact Community Development to discuss the 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 the 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.

Water Service Agreement Application

New requests for water shall be made by submission of the updated form (Attachment 3). All applications shall expire in one year. All project fees 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.c. Water Allocations in 2017 and Subsequent Years

Any quantity of alternative water remaining from Calendar Year 2017, may be made available for future annual alternative water budgets, as prescribed by the City Council.

ATTACHMENT 1

CITY OF PRESCOTT ARIZONA

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 AF/yr * 45 single family dwelling units = 15.75 AF/yr
2. Multiply your annual water demand by 100 years.
    a. 15.75 AF/yr * 100 years = **1575 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 AF/yr * 100 multifamily dwelling units = 25 AF/yr
2. Multiply your annual water demand by 100 years.
    a. 25 AF/yr * 100 years = **2500 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

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		
~~15-001~~	~~Rock 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.

ATTACHMENT 3

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: _____ 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

☐ $	Single Family Residence	☐ $	Multi-Family Residence, Mobile Home Park
☐ $	Residential Subdivision	☐ $	Commercial Subdivision
☐ $	Commercial Project	☐ $	Change of Use

Applicant Signature: _____ Date: _____

OFFICE USE ONLY

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

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