

**Metropolitan Domestic Water Improvement District  
Board of Directors Meeting**

**October 15, 2014**

**Resolution 2014-4**

**Modification to Member Service Area Agreement for Metro Southwest-Diablo Village  
with the Central Arizona Groundwater Replenishment District**

**Synopsis**

The Board of Directors is requested to approve a resolution to modify the Member Service Area Agreement for Metro Southwest-Diablo Village with the Central Arizona Groundwater Replenishment District (CAGRDR) in order to be able to include the development area known as Pomegranate Farm.

**Background**

The Arizona Department of Water Resources (ADWR) issued a Designation of Assured Water Supply (AWS) for Metro Southwest-Diablo Village on February 21, 2014 for 2,725.81 acre-feet per year. A water provider with a Designation of AWS is required to replenish all mined groundwater pumped within the entire service area except for four percent from water losses. A water provider can join the Central Arizona Groundwater Replenishment District (CAGRDR) as a Member Service Area if the service area has a physical 100 year supply of groundwater. The CAGRDR approved a Member Service Area Agreement with the District in January 2014. Alternatively, a water provider can recharge its own CAP water and avoid CAGRDR replenishment fees. Metro Southwest-Diablo Village was recommended by ADWR for a CAP Non-Indian Agriculture (NIA) water allocation of 299 acre-feet, which may be finalized in 2016.

When the District was going through the process for the original Member Service Area Agreement for Metro Southwest-Diablo Village and obtaining the Assured Water Supply designation, Pomegranate Farms did not execute an Assured Water Supply (AWS) Agreement with the District in time for the District's original submittal to CAGRDR. Pomerol Land, the owners, have executed with the District an Assured Water Supply Agreement and have paid for the CAGRDR Member Service Area and Designation of Assured Water Supply modification application fees.

**Issues**

At the March 10, 2014 meeting, the Board approved staff to modify the District's Member Service Area (MSA) Agreement by submitting to the CAGRDR a new application due to the inclusion of Pomegranate Farms. The MSA application was submitted in August 2014 with the replenishment volume for the MSA application increased by 1,410.03 acre-feet per year plus a small amount for

future demand to 4,144 acre-feet per year. The additional volume equals the groundwater right possessed by Pomerol Land for the Pomegranate Farms development.

If the District does receive the NIA CAP supply for Diablo Village, the District could store that CAP water supply at Tucson recharge facilities (Table 1) and use District wells to recovery to avoid CAGRDR replenishment fees (Table 2). Alternatively, Metro Southwest-Diablo Village can purchase CAP credits from Metro-Main and recover the credits at the District wells.

**Table 1. CAP Water and Recharge Costs**

<b>Year</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>CAP Water Cost/AF + Tucson Water Recharge O&amp;M</b>	\$181.63	\$194.10	\$202.58	\$207.08	\$210.59

**Table 2. CAGRDR Replenishment Fees**

<b>Year</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY17/18</b>
<b>CAGRDR Cost/AF</b>	\$548	\$614	\$666	\$668	\$671

Membership with the CAGRDR would be a back up measure if renewable supplies were unavailable. Membership approval is expected from CAGRDR for the modification because a sufficient volume and quality of groundwater for 100 years has been demonstrated to ADWR for this service area.

As the tables show, CAGRDR membership can result in a substantial annual cost to water providers if the water provider does not have the ability to independently replenish any groundwater used each year with renewable supplies. If full build out of 4,144 acre-feet occurred in Fiscal Year 2018 and had a replenish obligation of 100 percent, the CAGRDR cost would be \$2.8 million dollars.

If the water provider has renewable supplies, the CAGRDR and ADWR does allow the water provider to conduct storage (replenishment) outside of their service area and recover their CAP credits by service area wells provided the groundwater levels in the service area do not decline on the average no more than 4 feet per year over a 5 year period. The Hydrologic Report found water levels in the Diablo Village service area were declining 2.1 feet per year in 2011, but levels in 2013 were found rising at the average rate of 4.6 feet per year.

Therefore, Metro Southwest-Diablo Village would pursue two options to avoid the utilizing the CAGRDR. The first would be to store and recover CAP water at SAVSARP through a wheeling agreement with the City of Tucson. The second would be to store CAP water at AVRPP and use the two existing Metro Southwest-Diablo Village supply wells (DV-1 and DV-2) for “recovering” CAP water. The total cost of independently completing replenishment at AVRPP for 248 acre-feet of groundwater, Fiscal Year 2014 replenishment obligation, would be \$45,044.24 versus \$89,805 for

CAGRD services or a total annual savings of \$44,760.76 (50%).

State statutes require the Board of Directors approve a resolution for Metro Southwest-Diablo Village to modify its member service area with the CAGRD. Additionally, statutes require the District to advertise the resolution once a week for two weeks in a publication of general circulation prior to signing the member service area contract with CAGRD. Staff will complete the advertising requirement upon Board approval of the resolution and have the Board Chair sign the Member Service Area Agreement after the legal notice requirement is finished.

### **Staff Recommendations**

It is recommended that the Board of Directors approve Resolution 2014-4 regarding modification of its Member Service Area membership with the Central Arizona Groundwater Replenishment District for the Metro Southwest-Diablo Village service area. It is further recommended that the Board of Directors approve the Board Chair to sign the Member Service Area Agreement with the Central Arizona Groundwater Replenishment District upon the successful completion of the advertizing of the resolution by the District.

### **Suggested Motion**

I move to approve Resolution 2014-4 regarding modification of its Member Service Area membership with the Central Arizona Groundwater Replenishment District for the Metro Southwest-Diablo Village service area. I further move that the Board of Directors approve the Board Chair to sign the Member Service Area Agreement with the Central Arizona Groundwater Replenishment District upon the successful completion of the advertizing of the resolution by the District.

Respectfully submitted,

I concur with staff's recommendation.

Respectfully submitted,

Warren Tenney  
Assistant General Manager

Joseph Olsen, P.E.  
General Manager