

MOHAVE VALLEY IRRIGATION & DRAINAGE DISTRICT

APPROVED: SEPTEMBER 2, 2014

MINUTES OF THE REGULAR BOARD MEETING HELD TUESDAY, AUGUST 5, 2014 AT THE OFFICES OF THE MOHAVE VALLEY IRRIGATION & DRAINAGE DISTRICT ("THE DISTRICT")

CALL TO ORDER.

The meeting was called to order at 3:58 p.m.

PLEDGE OF ALLEGIANCE.

The Pledge of Allegiance was led by Vince Vasquez.

ROLL CALL.

Present: Charles B. ("Chip") Sherrill, Jr., Chairman, Director District III
Vince Vasquez, Director District II
John Kai, Director District I
Perry Muscelli, Treasurer, Director At Large
Clay Vanderslice, Director At Large
Mark R. Clark, CCM, Manager
Jamie Kelley, District Counsel
Cecily ("CeCe") Preusser, Administrative Assistant

WAIVER MOTION. Motion to waive the reading of full minutes and resolutions presented for approval or adoption.

Mr. Kai made a motion to waive the reading of full minutes and resolutions presented for approval or adoption. Mr. Vanderslice seconded the motion. All were in favor, motion passed.

1. REPORTS.

A. Staff report on water use.

Mr. Clark stated that District water usage year to date has been 20,895 acre feet. That is for the six months ending June 30, 2014. For the 12 months ending in 2013 the District used 25,283 acre feet of water. The District is well ahead of last year's water use. Mr. Clark referred to the pie chart which shows that agricultural use is at 85%, utilities usage is 7%, amenity water usage is at 6%, and the individual wells and small users usage at 2%.

- B. Bureau of Reclamation Lower Colorado Water Supply Report as of July, 2014; Upper Colorado River Basin Snowpack Report; Lake Powell Water Data Graph; and Lake Mead Water Data Graph.

Chairman Sherrill stated that the report is showing current storage at Lake Powell at 52%, Lake Mead at 39%, Lake Mohave 93% and Lake Havasu at 95%. Keep in mind that Lake Mohave and Lake Havasu are tiny lakes. Total system contents are at 51%, which is where the system contents were last year. There has been some equalization between Lake Powell and Lake Mead and the inflows have made some difference in Lake Powell.

- C. USDA National Agricultural Statistics Service Reports for the month of July, 2014:

1. Arizona Agri-Weekly for the month of July, 2014;

Chairman Sherrill reported that for Subsoil Moisture the figures were: Very Short 8%; Short 33%; Adequate 59%; and Surplus 0%. For Topsoil Moisture the figures were: Very Short 1%; Short 35%; Adequate 64%; and Surplus 0%. The report shows that across the entire State we are off on our precipitation from 6 inches to 3 inches to date. Chairman Sherrill did not believe that the rain recently received was calculated into the report before it was published. As the recent rainfall was most likely not calculated into the report, it may be that we have less of a deficit than is showed in the report.

2. News Release: Cattle On Feed - Arizona and United States;

Chairman Sherrill reported that the number of cattle and calves on feed for the slaughter market in Arizona feedlots with a capacity of 1,000 head or larger was estimated at 272,000 as of July 1, 2014. This latest inventory is 1% below last month but 2% above last year.

3. News Release: Crop Production - July 2014 - Arizona and United States;

Chairman Sherrill advised that the reports show that, based on July 1 conditions, durum wheat production in Arizona is forecast at 7.59 million bushels, about 6% below last year. As of June 29, Arizona's durum wheat crop was rated 1% poor, 14% fair, 38% good and 47% excellent.

Barley production is forecast at 4.95 million bushels, down 39% from 2013. As of June 29, Arizona's barley crop was rated 1% very poor, 1% poor, 29% fair, 56% good and 13% excellent.

4. News Release: Cattle Inventory

Chairman Sherrill stated that the report shows that all cattle and calves in the United States as of July 1, 2014 totaled 95 million head, 3% below the 2013 total. All cows and heifers that have calved, at 39 million, were down 2% from July 1, 2012. Beef cows, at 29.7 million, were down 3% from July 1, 2012 and milk cows, at 9.3 million, were up 1% from July 1, 2012.

5. News Release: July Farm Prices Received - Prices Paid

Chairman Sherrill reported that the preliminary All Farm Products Index of Prices Received by Farmers in July decreased 4 points (3.6%) from June. The Crop Index is down 8 points (7.1%) but the Livestock Index increased 4 points (3.9%). Producers received lower prices for corn, soybeans, broilers, and wheat and higher prices for cattle, hogs, eggs, and onions.

D. Arizona Meteorological Network Monthly Summary for July, 2014.

Chairman Sherrill stated that we are behind in our average rainfall. The temperatures have been down a little as far as the averages, but August will more than likely bring those temperatures right back up to where they usually are.

2. **AGENDA MODIFICATION.** Possible action to withdraw from, or move, any item on the Agenda, including the removal of an item from the Consent Agenda.

No discussion and no action.

3. **CONSENT AGENDA.** The items listed below will be considered as a group and acted upon by one motion with no separate discussion of said items, unless a Board Member requests an item or items be removed for separate discussion and action.

- A. Approve the July 1, 2014 Meeting Minutes.
- B. Ratify payment of expenses for July, 2014.
- C. Approve the Snell & Wilmer Billing Statement for the month of June, 2014.

Mr. Muscelli made a motion that the Consent Agenda be approved in its entirety. Mr. Kai seconded the motion. All were in favor, motion passed.

4. REGULAR AGENDA.

- A. **Approval To Conduct Financial Review For Fiscal Year 2013/2014.** Discussion and possible action regarding the engagement of Heinfeld, Meech & Co. to conduct a financial review for Fiscal Year 2013/2014.

Mr. Muscelli made a motion to approve the engagement of Heinfeld, Meech & Co. To conduct a financial review for Fiscal Year 2013-2014. Mr. Kai seconded the motion. All were in favor, motion passed.

- B. **2015 District Water Order.** Discussion possible action to approve the submission of the 2015 District Water Order to the Bureau of Reclamation.

Mr. Clark reported that the 2015 Water Order which has been prepared for submission to the Bureau of Reclamation is for 41,220 acre feet of water for the 2015 calendar year. The report includes 36,628 acre feet from the District's 4th Priority Contract, 1,592 acre feet from the District's PPR's, and 1,000 acre feet from the Mohave County Water Authority Contract.

Mr. Kai made a motion to approve the 2015 Water Order for submission to the Bureau of Reclamation. Mr. Muscelli seconded the motion. All were in favor, motion passed.

- C. **2013 District Crop Report.** Discussion and possible action to approve the submission of the 2013 District Crop Report to the Bureau of Reclamation.

Mr. Clark stated that the Board has been presented with 2013 Crop Report, which indicates that there were 4,010.92 irrigable acres planted, the various crops that were planted and the yields per acre, per ton or per pound.

Mr. Muscelli asked whether or not the Bureau of Reclamation received the pie charts that had been provided to the Board. Mr. Clark replied that the Bureau only receives the data. Mr. Clark also stated that, as of this year, the Bureau has changed its reporting methodology. The Bureau used to provide a standard form that needed to be filled out and returned. Starting this year, the Bureau wanted reporting entities to provide their own spreadsheets.

Mr. Muscelli made a motion to approve the 2013 Crop Report for submission to the Bureau of Reclamation. Mr. Kai seconded the motion. All were in favor, motion passed.

- D. **Desert Lakes Estates, Tract 4152E.** Discussion and possible action to approve the request of Desert Lakes Estates for an extension of the preliminary water allocation of 51.67 acre feet until from August 10, 2014 to February 10, 2015.

Mr. Clark advised that the District had received complete documentation from Desert Lakes with regard to their continued forward progress, as well as a letter from Mohave County. Staff is recommending that this request be approved by the Board.

Mr. Kai made a motion to approve of Desert Lakes Estates' request for an extension of the preliminary water allocation of 51.67 acre feet from August 10, 2014 to February 10, 2015. Mr. Vasquez seconded the motion. All were in favor, motion passed.

- E. **Walmart Super Center Store #4203, T19N, R22W, SEC. 26, APN No. 227-15-135.** Discussion and possible action to approve the request to extend the preliminary water allocation of 12.74 acre feet from August 10, 2014 to February 10, 2015.

Mr. Clark advised that Walmart has provided all of the requisite documentation. Mr. Clark spoke with Mohave County and found out that Walmart's permits are sitting there waiting for them and are presently working with ADOT. ADOT has some requirements that Walmart is trying to get changed, namely, ADOT is requiring Walmart to place medians in Highway 95 in front of the facility, which Walmart is trying to convince them to reconsider. Staff is recommending approval of this request.

Mr. Kai made a motion to approve Walmart's request to extend the preliminary water allocation of 12.74 acre feet from August 10, 2014 to February 10, 2015. Mr. Vasquez seconded the request. All were in favor, motion passed.

- F. **Los Lagos Golf Course, T18N, R22W, Section 1, Contract No. 1992-03.** Discussion and possible action to approve declaring Los Lagos' Contract No. 1992-03 in default for failure to pay amenity fees as contained in following MVIDD invoices:

Invoice No. 3393 in the amount of \$18,387.00 (invoice amended as of July 2, 2014); and

Invoice No. 3399 in the amount of \$3,525.00 (invoice amended as of July 2, 2014).

Mark Clark advised that staff had prepared original invoices, which invoices were then amended in July based upon information the District received from Los Lagos. In the past, Los Lagos' employees had been allowed to phone in their monthly water usage amounts. The new information that the District Office was provided by Los Lagos differed from the information that was

phoned in to the office. Staff adjusted the billing records to reflect the new usage numbers provided by Los Lagos.

Mr. Muscelli inquired as to whether Los Lagos' usage numbers went up or down. Mr. Clark replied that the numbers went down.

Chairman Sherrill stated that water users were no longer allowed to phone in their water usage numbers because documentation was needed to prevent this type of confusion.

Mr. Clark advised that staff was recommending to declare Los Lagos' Contract No. 1992-03 in default for non-payment of fees for the period of 2011 to the water order year 2014.

Mr. Muscelli inquired as to whether or not there had been any communication with regard to this matter.

Mr. Angelo Rinaldi, on behalf of Los Lagos, advised that there had been several letters back and forth and that Los Lagos had provided the District with complete month-by-month accounting of their water since the inception of the project.

Chairman Sherrill interjected that Los Lagos' contract stipulated that Los Lagos would submit a water order every year on a certain date, and that Los Lagos was required to pay for the amount of water ordered. Mr. Rinaldi responded that Los Lagos was billed in advance every year. Chairman Sherrill then asked if the amount that Los Lagos was billed was adjusted, up or down, for actual water usage. Chairman Sherrill then verified that the dispute was for water usage billed for from 2011 to 2013.

There was then a discussion as to per acre foot charge. In 2011, the charge per acre foot was \$12.00. In 2012, the amount per acre foot changed from \$12.00 to \$30.00 per acre foot.

Mr. Rinaldi stated that at the beneficial review hearing, which was held in November of 2013, it was determined that Los Lagos' water usage was in decline. After the review, the District reduced Los Lagos' water allocation from 1,000 acre feet to 650 acre feet.

Mr. Rinaldi stated that the first bill received by Los Lagos was for \$42,000.00, which equaled the equivalent of six years worth of water use. Chairman Sherrill stated that the dispute in question concerned billing for water usage from 2011 through 2013. There would be no discussion of matters before that time. Mr. Rinaldi stated that Los Lagos paid for water in advance, and

Chairman Sherrill clarified that they were billed in advance for water usage, but when Los Lagos turned in their actual water usage they were credited for water not used.

Mr. Clark then intervened, stating that in 2011, 2012 and 2013, the District billed Los Lagos for their actual water usage, not the water that was ordered, but the water that was actually used. Those billings included 484 acre feet used in 2012 and 465 acre feet in 2013. The billings also included Los Lagos' water order for 2014, this calendar year, and Los Lagos ordered 500 acre feet for 2014. The second invoice included the period July 1, 2011 through December 31, 2011, Los Lagos' actual water usage, because that was mistakenly not billed, and set forth Los Lagos' actual usage of 293.75 acre feet which was billed at \$12.00 per acre foot.

Mr. Rinaldi stated that Los Lagos was billed on the calendar year, rather than in August, which is a condition stated by the contract. Mr. Rinaldi stated that he believed that this had caused a lot of confusion and suggested that he and Mr. Davide sit down with the District, with perhaps a third party present, and go through Los Lagos' water usage as well as the amounts which have been paid to settle the disagreement.

Chairman Sherrill stated that he believed the issue was pretty cut and dried. He stated that Los Lagos makes their water order, if Los Lagos does not use the entire amount of the water ordered, they are only billed for the amount of water actually used. Chairman Sherrill allowed that if at one time the amount charged for each acre foot of water changed from \$12.00 per acre foot to \$30.00, that may be causing some of the confusion.

Mr. Muscelli then asked Mr. Clark how Los Lagos had paid the District. Mr. Clark answered that the last payment made by Los Lagos was received on April 12, 2013. That payment was for their 2013 water usage. Mr. Rinaldi corrected Mr. Clark stating that the billing was for 2014 water usage.

District Counsel interjected that it was an April payment. Ms. Kelley stated that Mr. Rinaldi was correct, that the contract contemplated a fiscal year payment in August of each year. When the contract was entered into in 1992, everything operated on a fiscal year basis. The water orders were submitted and the Bureau billed on a fiscal year basis. Mr. Kelley stated that at some point in time, the Bureau decided they wanted to shift from the fiscal calendar to the traditional calendar. In 2010 or 2011, the District began to transition to the calendar year and in 2012, the billing did go to the calendar year. There were some issues with that change. Los Lagos, in the year 2010, paid \$7,200.00 with their water order for 2011, which was the pre-payment fee. Los Lagos did not pre-pay for their water in 2012, because there was a credit balance remaining. In April, Los Lagos paid \$18,000. All

of those sums are reflected in the accounting that has been provided to them.

Mr. Vasquez questioned the difference between the sum the District said was owed and the sum that Los Lagos maintained was owed. Mr. Rinaldi stated that he believed the amount was \$21,000.

Ms. Kelley stated that Los Lagos has presented no evidence and articulated no reason for the difference.

Mr. Vasquez again asked what the difference in amount was and Mr. Rinaldi stated that it was \$21,000. Ms. Kelley clarified the amount as \$21,912. Ms. Kelley then went on to state that Los Lagos has presented no evidence of payment made to the District that was not reflected in the District's records. She went on to say that the water usage numbers are on a month-by-month basis from 2011 through 2013 and have been reconciled. The District accepted the water usage numbers provided by Los Lagos and adjusted its records downwards. In fact, the numbers provided by Los Lagos were provided late. Mr. Clark had requested that information three times over the course of a year and it was not provided. When Los Lagos finally did provide the information, the District reviewed the information and decided to make reductions to coincide with the information provided by Los Lagos.

Ms. Kelley stated that she did not know and the District has not been able to determine where the discrepancy is. Los Lagos' water price has gone up in accordance with the terms of the contract they signed in 1992.

Chairman Sherrill stated that, according to District records, what Los Lagos ordered and what they used was reflected in the statements in question. Mr. Rinaldi then stated that Los Lagos had paid in advance and questioned how there could be money owing when they paid in advance. Ms. Kelley stated that Los Lagos had made no payments in 2012.

Ms. Kelley then referred to the spreadsheet that was included in the Board Members' packets that accounts for all charges made by the District and all payments made by Los Lagos. Ms. Kelley then reiterated that Los Lagos was claiming a discrepancy without showing any evidence of a discrepancy.

Mr. Rinaldi then referred to the last lawsuit involving the District and Los Lagos. Ms. Kelley stated that the District was only looking at the period from the last time the Los Lagos contract was terminated, which was in the summer of 2010. Los Lagos was allowed to reinstate its contract upon payment of all sums then due the District. That settlement closed those years. Mr. Rinaldi stated that Los Lagos paid those sums in dispute. Ms. Kelley stated that was correct, and that Los Lagos was advised that the

District viewed the payment as payment for all sums owed and Los Lagos took no action.

Mr. Vasquez asked how long Los Lagos would have to cure the default. Ms. Kelley replied that Los Lagos would have 30 days in which to cure to default.

Ms. Kelley clarified that, relative to the \$37,652.00 payment that was made by Los Lagos in 2010 to reinstate the contract, the statute of limitations has run and Los Lagos is no longer able to dispute that payment.

Chairman Sherrill stated that the amount paid in 2010 cannot be carried over for future use. The contract was reinstated on the condition that Los Lagos made that payment. It cannot be carried over to the 2011, 2012 and future payments.

Ms. Kelley then added that the discrepancy may exist because in its spreadsheet, Los Lagos was attempting to carry a portion of the \$37,652.00 payment forward.

Mr. Rinaldi stated that they paid in advance for their water use. One time Los Lagos was advised that they would be paying on the fiscal year, then another time the District wanted payment in arrears, so Los Lagos did not pay for a year, and they should not have had to pay for two years since they had paid a year in advance. Mr. Rinaldi then stated that Los Lagos did not understand what was going on, so they did a complete reconciliation of their payments and the District was given their schedule. Mr. Rinaldi stated that Los Lagos did not understand how Los Lagos could be billed for late charges when they paid in advance.

Ms. Kelley answered that Los Lagos did not pay the current charges in advance. Mr. Rinaldi stated that the District told Los Lagos to do one thing and when they try to do it, the District changes the rules. Mr. Rinaldi reiterated his suggestion that a third party come in and review the payments that have been made with respect to the water that has been used.

Chairman Sherrill stated that he did not believe that a third party was necessary. Both the District and Los Lagos had legal counsel and complete documentation.

Mr. Kai attempted to make a motion and was asked to wait by Chairman Sherrill.

Mr. Clark then stated that the District agreed with all the numbers provided by Los Lagos post-2010. Mr. Rinaldi asked how there could be a discrepancy. Mr. Clark answered it was because Los Lagos was carrying a balance forward from the \$37,652.00. Chairman Sherrill added that that was

where the discrepancy existed. Los Lagos was trying to carry forward an amount that cannot be carried forward. Mr. Rinaldi asked why the District and Los Lagos couldn't sit down and look at the numbers. Chairman Sherrill reemphasized that no portion of that \$37,652.00 could be carried forward. When Los Lagos made that payment, that was for consideration to reinstate Los Lagos' contract, which was in arrears. That payment was a settlement payment. He also stated that if Los Lagos did not pay the outstanding amount currently due and owing, the contract was going to be declared in default. Within the 30 days if Los Lagos can prove the amount in question is not owed, as long as they do not try and include that \$37,652.00 payment, consideration will be given. But that \$37,652.00 payment cannot be carried forward.

Mr. Rinaldi then stated that the invoice numbers were different. The District sent an invoice for 750 acre feet and Los Lagos has never used more than 600 acre feet. Ms. Kelley advised that a revised invoice had been issued. Chairman Sherrill agreed that he had seen a revised invoice which reflected the acre feet of water Los Lagos claimed it used and not the 700 acre feet.

Mr. Rinaldi asked if the District thought it was right that Los Lagos was billed for 1,200 acre feet one year and they did not use that. Ms. Kelley replied that she was unsure of what Mr. Rinaldi was referring to. She stated that the invoices that are currently outstanding and in default have been prepared based upon usage numbers that match what has been provided to the District by Los Lagos. Ms. Kelley said that Los Lagos, through counsel, provided usage numbers to the District. Mr. Clark went through and reconciled their usage month by month, and the District accepted the lower numbers provided by Los Lagos for those months that did not match.

Mr. Sherrill reiterated to Mr. Rinaldi that the \$37,652.00 could not be brought forward. District Counsel stated that the issue regarding the \$37,652.00 was closed. There is a statute of limitations with regard to dispute. Ms. Kelley stated that Los Lagos had six (6) months from August 4, 2010 to file a claim with the District objecting to the numbers provided by the District for which they were billed. In accordance with the claim statute, Los Lagos had one (1) year in which to file suit. Los Lagos did not do so and the statute has run.

District Counsel then recommended that the Board declare Los Lagos to be in default of their contract, unless Los Lagos has evidence of payment or that they can prove that the numbers differ based upon the evaluation process.

Mr. Muscelli asked Mr. Rinaldi if he believed that there payments made by Los Lagos after 2010 that were incorrectly reflected in the District records. Mr. Rinaldi stated that he did not know, he would have to look it up.

After much discussion back and forth with regard to whether or not the numbers are correct, Mr. Vasquez made a motion to declare Los Lagos' Contract No. 1992-03 in default. Mr. Kai seconded the motion. All were in favor, motion passed.

- G. **WPI-919 Farm AZ, LLC, T18N, R21W, Sections 30 and 31, Modification to Water Accounting Contract No. 2012-05.** Discussion and possible action to approve the modification of Water Accounting Contract (PPR Entitlement), Contract No. 2012-05, to include the additional present perfected rights and additional acreage within the Property Served, Exhibit A Legal Description.

Mr. Clark advised that the District had received all documentation relative to the water transfer. This modification will add some additional water to the existing PPR Water Contract. The property in question is an adjacent property and the District will fold the property into the existing contract.

Mr. Kai made a motion to approve the modification of Water Accounting Contract (PPR Entitlement), Contract No. 2012-05, to include the additional present perfected rights and additional acreage within the Property Served, Exhibit A Legal Description. Mr. Muscelli seconded the motion. Mr. Vasquez abstained. All were in favor, motion passed.

- H. **WPI-919 Farm AZ, LLC, T18N, R21W, Sections 19, 25 and 30, Amendment of Agricultural Agreement for Water Entitlement No. 2012-04.** Discussion and possible action to approve the amendment of Agricultural Agreement No. 2012-04 to add 27.6 irrigable acres (formerly a part of the Hancock Farm) and the issuance of a new water entitlement of 193.2 acre feet from water set aside for the lands under the Water Entitlement Settlement Agreement.

Mr. Clark advised that the District had received all documentation necessary to implement this water transfer. There will be a new contract issued. The water allotment is a part of the Waterway set aside as provided in the Water Entitlement Settlement Agreement and is included in the Water Inventory.

Mr. Kai asked if WPI was obligated to pay for the transfer of the water in question. Mr. Clark answered that it was.

Mr. Kai made a motion to approve the amendment of Agricultural Agreement No. 2012-04 to add 27.6 irrigable acres (formerly a part of the Hancock Farm) and the issuance of a new water entitlement of 193.2 acre feet from water set aside for the lands under the Water Entitlement Settlement Agreement. Mr. Vanderslice seconded the motion. Mr. Vasquez abstained. All were in favor, motion passed.

- I. **WPI-Hancock Farms AZ, LLC, T17N, R21W, Section 7, Agricultural Agreement for Water Entitlement No. 2013-04.** Discussion and possible action to approve a transfer of 12.9 acre feet of water from Hancock Family Trust Contract No. 2005-01 to WPI919 Hancock Farm AZ, LLC, and a concurrent amendment of Agricultural Agreement No. 2013-04 to include 12.9 acre feet of water and to modify the Property Served to include the additional 1.84 irrigable acres.

Mr. Clark advised that this is contiguous property to an existing property with an allocation. This property was the last part of the Hancock Farms and this amendment will serve to clean up the last contract. The excess water from this contract will return to the District Inventory.

There was a question as to where the property was, whether it was the "lots" that were to the south of the property contained in the contract. There was then a question as to whether or not water had stayed with the lots. Mr. Clark answered that there was residential allocation of .42 acre feet per acre and that water will return to the District while the remaining water under the Hancock contract will go to cover those additional lots. It comes out to a total of 12.9 acre feet of water for 1.84 irrigable acres.

Mr. Muscelli had a question as to whether or not the lots were plotted and could be sold off. Chairman Sherrill explained that if WPI were to develop the additional 1.84 acres of property into lots, the District would subtract the excess water, allowing WPI only that water allocation suitable for residential lots.

Mr. Kai made a motion to approve a transfer of 12.9 acre feet of water from Hancock Family Trust Contract No. 2005-01 to WPI919 Hancock Farm AZ, LLC, and a concurrent amendment of Agricultural Agreement No. 2013-04 to include 12.9 acre feet of water and to modify the Property Served to include the additional 1.84 irrigable acres. Mr. Vanderslice seconded the motion. Mr. Vasquez abstained. All were in favor, motion passed.

- J. **Agri-Business and Water Council of Arizona.** Discussion and possible action to approve the appointment of Mark Clark to the Board of Directors and Executive Committee of the Agri-Business and Water Council of Arizona.

This matter was tabled until the September meeting.

- K. **MVIDD Water Conservation Plan.** Discussion and possible action to approve the MVIDD Water Conservation Plan.

There was a discussion with regard to the changes that have been made to the MVIDD Water Conservation Plan and the back-up documentation thereto.

Mr. Muscelli made a motion to approve the MVIDD Water Conservation Plan. Mr. Kai seconded. All were in favor, motion passed.

- L. **MVIDD District Office Landscape Proposals.** Discussion and possible action to approve one of the landscape proposals submitted by the following entities:

Baron Landscape Solutions
David Barrios Landscaping, LLC
M&M Home & Maintenance Landscaping

There was consideration and a brief discussion with regard to the landscape proposals submitted by the various contractors. Mr. Clark advised that staff was recommending the Board to approve the proposal submitted by M & M Home & Landscaping, with the line item deletion of the “monthly maintenance” provision.

Mr. Muscelli made a motion to approve the landscape proposal submitted by M & M Home & Maintenance Landscaping. Mr. Vanderslice seconded the motion. All were in favor, motion passed.

5. PUBLIC INPUT.

Mr. Rinaldi mentioned a couple of incidents where there had been a statement made by different people with regard to the lack of water until 2017. Chairman Sherrill stated that he did not believe that sentiment was ever voiced by the District. As to the golf courses and the subdivisions which contain lakes, obtaining water would be up to each of the owners with regard to where they would obtain effluent after 2017. Mr. Sherrill stated that the District had been working hard to facilitate some way to get effluent to the golf courses and other amenity users, whether it's interim water or whatever other water becomes available.

Chairman Sherrill went on to say that the District does not spread rumors of that nature. It is the business of the golf club owners and lake subdivisions to satisfy homeowners as to what the lake levels are going to be, etc. There is a shortage coming with the Colorado River and we may all be out of water by the time 2017 gets here.

Chairman Sherrill advised Mr. Rinaldi that he knew what was coming down the road and he knows what needs to happen.

Mr. Rinaldi then stated that someone had told him they had contacted the District Office with regard to obtaining a water allocation and was told there would be no

water until 2017, when the District received the water currently being used by amenities back into its inventory. Chairman Sherrill answered that he did not believe that statement came from the District Office.

Chairman Sherrill stated that, with the adjustments the District is making to its water inventory, there should be water available and the District will not be over-allocated. Chairman Sherrill went on to say that there needed to be an in depth search for excess water from undocumented wells, farm ground, amenity users, etc.

Chairman Sherrill stated that Los Lagos had reduced its amenity usage by 40% in some cases. Agriculture has reduced its water usage by 15% or better by lining irrigation ditches, laser leveling, etc.

The District plans to participate in more of that type of conservation. Houses that are built in the future may be prohibited from putting in bermuda grass, being required instead to have rock lawns. We all do as much as possible to conserve water within the District. The more conservation that is practiced, the more water will find its way to our inventory.

Mr. Vasquez then brought up the approximately 9,000 lots in the District that presently have water allocated to them but aren't using it because of the economic down turn. Those lots have water dedicated to them pursuant to a final site plan on file with the County. If a development is not using its water allocation, that interim water may be allocated on a year to year basis.

District Counsel added that there is a "flex period" that exists. Until 2026, a declared reduction will not really affect the District, based on the contractual allocation under the Arizona Shortage Sharing Agreement. However, after 2026, any reduction as a result of a drought being declared will be based upon actual use. Should there be a shortage declared, there will be no interim water.

Chairman Sherrill stated that if, prior to 2026, a drought is declared and an attempt is made to take the District's water (which very well could happen), there will be a reduction to our yearly allocation. The interim water that would normally be shared on a year to year basis will take the first hit.

After 2026, the District could get a water reduction from its actual usage, rather than the yearly allotment.

Angelo asked whether the 9,000 lots with a water allocation they are not currently using would also take a hit. District Counsel advised that that was an issue on which the Bureau of Reclamation was going to have to provide guidance. The State of Arizona has provided no guidance relative to what a declared shortage would do to water adequacy statements.

Mr. Vasquez also made the point that if development was to occur, especially on former agricultural land, the water allocation would be different, approximately one-half (½) acre foot per acre for residential. As agriculture uses seven (7) acre feet per acre for growing, the remaining six (6) acre feet not needed to develop a residential lot would go back to the District's inventory. Basically, Mr. Vasquez allowed that there will be plenty of water for development within the District.

6. ADJOURNMENT.

There being no further business to discuss, Mr. Muscelli made a motion that the meeting be adjourned. Mr. Kai seconded the motion. All were in favor, the meeting adjourned at 4:45 p.m.