Approved:
11-06-18

MEETING MINUTES OF SPECIAL PUBLIC MEETING OF THE MOHAVE VALLEY IRRIGATION & DRAINAGE DISTRICT

Held October 23, 2018
10:00am
Mohave Valley Irrigation & Drainage District
1460 E. Commercial Street, Mohave Valley, AZ 86440

Pursuant to A.R.S. § 38-431.02, notice is hereby given to the members of the Mohave Valley Irrigation and Drainage District and to the general public that the Mohave Valley Irrigation and Drainage District will hold a meeting open to the public on Tuesday, October 23, 2018 at 1460 E. Commercial Street, Mohave Valley, AZ 86440.

****Note: Some members of the board may appear telephonically****

CALL TO ORDER. Chairman, Charles B. Sherrill, Jr., called the meeting to order at 10:06am.

1. ROLL CALL.

Present: Charles B. Sherrill, Jr., Chairman/Director Division III
Clay Vanderslice, Director at Large
Perry Muscelli, Treasurer/Director at Large
Mark R. Clark, District Manager
Kerri Hatz, Administrative Assistant

Phone: Vince Vasquez, Director Division II
John Kai, Jr., Director Division I
Michael J. Pearce, District Counsel

Absent: None

2. PLEDGE OF ALLEGIANCE. Perry Muscelli led the Pledge of Allegiance.

If the public wishes to address the Board regarding Regular Agenda Items, they may fill out the Request to Speak Form located in the back of the room. The form should then be given to the Administrative Assistant of the Board prior to the meeting. The time limit rule of 3 minutes maximum will be enforced.

3. REGULAR AGENDA

A. **AZ Drought Contingency Planning Program.** Discussion and possible action to approve District proposal for participation in State of Arizona Drought Contingency Planning Program.
Chip Sherrill asked district counsel to give an overview of what our proposal is here. Mike Pearce explained that the Drought Contingency Program, as a whole, is a program that has been underway for a couple of years led by the State of Arizona's Governor's office, ADWR and most recently acting in cooperation with the Central Arizona Water

Conservation District or CAP, with the goal of recognizing the danger of having levels of Lake Mead fall into areas where the Secretary of the Interior will be compelled to declare shortage conditions and to try and actively conserve water in Arizona by limiting our consumptive use below the 2.8 million acre feet per year authorized by the decree and to keep that water in Lake Mead to hopefully keep water above shortage conditions. The DCP began in greater earnest in a meeting conducted by the ADWR and CAP in June of this year where the two announced that they would work together cooperatively to structure a program and to try and get active conservation going as quickly as possible. They formed a steering committee and sub-committees to address the various issues and those meetings have been proceeding. We learned through our general manager, Mark Clark, that there was an interest of encouraging on river users to contribute to active conservation and the details of that were not very clear, but, we learned enough that we made some contacts and realized there was some interest, so the District, through its chairman, wrote a letter and reached out to ADWR and CAP expressing interest in learning more about the program and what if anything MVIDD could do to participate. That letter prompted a meeting, a telephone conversation, which occurred last Wednesday with the director of ADWR, Tomas Buschatzke, general manager of CAP, Ted Cooke and their respective staff along with myself, Chip Sherrill and Perry Muscelli as the two officers of MVIDD. The purpose was to share views on the subject and to exchange information and to determine a level of interest or not. It was a very good conversation. Ideas were discussed and concepts, but it was clear to us that the program itself had not yet crystalized fully, there were unanswered questions about how it would be structured. Nevertheless, we concluded the conversation with a request by Mr. Buschatzke and Mr. Cooke that if we were interested to put together a paper with a conceptual outline of what MVIDD thought it could contribute to the overall program. We agreed to do that, they told us it would be particularly helpful if we could have that to them by tomorrow, Wednesday the 24th, so that they would have it in hand at the next steering committee meeting scheduled for Thursday afternoon. We told them that we would try to do that and get them a written concept or explain why we couldn't. I undertook over the weekend to write a proposal, and that is what is before you today for discussion. This meeting was called for the express purpose of discussing the concept as a whole and discussing MVIDD's interest in participating. If the interest exits, then to go through this document in detail this morning to be sure it represents an accurate estimation of what MVIDD could propose to do. One of the things this document is not, it is not intended to be an offer that could be accepted by anyone in terms of a contract, and it is just a preliminary discussion paper. It is styled as an exhibit to the existing forbearance agreement that was created under the 2007 Interim Surplus Guideline for the creation of the Intentionally Created Surplus as that term is defined there. That may or may not be the

structure that finally materializes but it is a path that we discussed. It is not intended to be a commitment by MVIDD to do or not do anything but rather to just initiate a discussion that we can bring back with more information as we have it for further discussion at the board and further refinement of any program that might emerge. This is where we are at today and I hope that we will have a full and fair discussion about the conceptual underpinning and terms that we are preparing to submit to ADWR or CAP if at all.

Chip asked the members of the public if everyone had a copy of the concept paper so they could follow along with the board members.

Chip read through the description of MVIDD, the basic description on conservation project and the term of program. Chip reminded the members of the public this is just a concept paper. Chip stated the terms could be 1 to 5 year program. Chip read through the Administration, portion and stated it could be between $4-7 per acre foot fee; that right now we charge the farmers $4 an acre foot fee. He proceeded to read Enrollment section, At the end Chip stated after more review the estimate for conserved water would be closer to 5,000 to 8,000 acre feet of conserved water per year. Chip stated this is just an estimate after going over more figures. Perry Muscelli asked how we came up with this number. Chip said he and Mark came up with the numbers as well as Mike Pearce with the number of acres that are in production today. There are some farmers that are not in production at this time and when they do come in the numbers will come up a little bit. We are talking about land that is in production today. The numbers could change because of the farms lands that have not been in production for the last year or so. Mike Pearce offered a point of clarification. The quantity of water conserved depends on a number of factors including the irrigation history, the number of acres planted in the past either last year or the last five years or whatever the standard is. It depends on the amount of water delivered to the planted acres and particularly it depends on the estimated consumptive use of water on those acres, estimated presently by the Bureau of Reclamation. There is reason to believe those estimates are not as accurate as they might be and that is one of the factors that limit the amount of consumptive use that we can offer in this conservation program. That factor alone, the determination of on farm consumptive use within MVIDD, is a subject that would be very helpful to explore and understand better as this process progresses.

Perry Muscelli asked if this 8,000 was on the upper end, Chip replied he thought so but referred to Mike Pearce. Mike yes that just doing the arithmetic yesterday and today the number appears to be around 7,700 acre feet. Vince asked if that was based on how many currently planted acres. Mike replied approximately 4, 500 acres with a 53% consumptive

use factor applied to the water. Vince stated with his figures 4,500 planted acres at 50% fallowing would be 2,250 acres that would be fallowed in any given year. I thing based on the studies I have done in the area and also those that have been performed in the Yuma Mesa area regarding fallowing that included lower consumptive use crops such as lemons, they achieved a 5.1 acre feet per acre consumptive use factor. I think the research I have done in the Mohave area indicates a slightly higher number on a consumptive use basis at 5 to 5.5 is a reasonable assumption for alfalfa planted acres. The 10,000 mark is doable but again it is subject to the enrollment and a consumptive use study. Perry stated he would like to use the 10,000 number and Vince said he agreed and add "approximately 10,000 acre feet". All board members agreed. Mike Pearce also stated at this stage of the proceedings this is fine. He is adjusting this document as we are going through it. Chip read the Verification section of the concept paper as well as Cost of Conserved Water. Perry Muscelli jumped in and asked if the board members were ok with $250.00 per acre foot of conserved water. Clay Vanderslice stated it sounded right, Chip stated he has heard that is about the right price point he has heard and he asked Jamie Kelley from the MCWA if that is what she has heard. Jamie stated it was a number that CAGRD and Gila River Agreement is. Vince Vasquez asked if we could do full reading and go back in or handle each section as we are going. Chip stated section by section but we can do it either way. Vince stated he would like to finish up this then go back to previous sections. Vince believes that $250.00 an acre foot is a fair number to get conversations stated on this basis. There is some level of details in various sections that is probably unnecessary and probably better hashed out with our discussions with them. The payment in two installments is language we can delete for now and we can vent that idea as we go through it. Chip said then you want to leave the payment schedule out, omit it from here, but you still have the $250.00 in a year with the increase of 3% for each year and then that can be negotiated out with DCP and see what their payment schedule would be, is that what you are thinking? Vince replied yes, there will be a certain amount of participation at this level and if the pricing level is higher there may be greater participation in the program. I think the language you would start at with a platform of what those kinds of ranges could be and level of participation, I am ok with the first paragraph in that section but delete the second paragraph. That level of detail at this point is not necessary. Perry asked what Mike Pearce's thoughts were. Mike stated it is there to suggest that it would anticipated there would be an upfront payment in the beginning then a true up payment at the end. The dates are not important and he can understand we do not need that level of detail yet. It is his understanding that the state and CAP will be working on some kind of request or proposal and they have their own contours of what an agreement would look like that we will probably have to either accept or negotiate down the road so I am not concerned about taking the

paragraph out. I understand Mr. Vasquez' comment that this level of detail may not be necessary at this point. I was trying to get the issues out there and get a consensus on the board. Perry asked then if we all agree to generally take that out and Chip verified that was correct. Chip proceeded to read Impact Mitigation, there were no comments on that. Chip proceeded to Overall Water Use by MVIDD. Chip stated he believed that "(contracts issued to private water company providers that service residential homes and commercial establishments)" should be removed, we do not give contracts to water companies, the water is given to the subdivisions. Chip continued to read this section. Chip asked for comments from the board. Vince Vasquez there are two things for him. The last line of the first paragraph being with the word "Thus" I think actually total water use is not likely going to increase over time because you're going to have a net reduction due to fallowing so any incremental increase that are out laying here will still result in a net decrease given the10,000 acre foot reduction. For a point of clarity, I don't think we are going to be increasing when you factor in the net conserved water relative to fallowing. On a larger more global point to this item, I don't necessarily take issue with specific outline, I think with the level of detail at this point in time and given our audience and what we are trying to communicate, it may be too far in the weeds that we will no doubt get to, but it may be challenging to get everyone's head wrapped around some of our internal mechanics in a very high stake level, so I could offer up some recommendations on how to trim it down. I think if we are really boiling this down what we are trying to say sounds like we have some other uses and we have some other contingencies that are going to occur we want to basically want to disclose. It sounds like that was the intent here Mike. I think maybe we can disclose so of those internal mechanics without details in the level here and I can probably provide better written comment on that on a line to line basis if you would like. John Kai commented that he does not want too much confusion with the DCP people, the simpler we keep it, even if we have to say we would consider this and would study it to make those people feel more comfortable knowing who is on the board. Perry Muscelli commented on Vince's statement of MVIDD likely increasing over the term, should we be saying that M & I uses will likely increase over the term of this program wouldn't that be more to the point? Vince stated yes that would be accurate. From what I gather that we are disclosing to people and making sure that everyone is aware and they shouldn't be surprised if all of a sudden growth materializes within our area and these subdivisions that have been allocated water start using it. That is the net point we are trying to make, right Mike. Mike said it is, and level of detail here is somewhat responsive to a direct questions posed by Director Buschatzke on our telephone call. He specifically asked how MVIDD would propose to demonstrate that lands taken out of production would not simply be replaced by lands put in production. This was the concern with the program adopted by the Yuma Mesa Irrigation and

Drainage District a few years ago. That has been a continuing concern with YMIDD and this is somewhat of an intent to show that we understand their concern and are prepared to address it. I was concerned in trying to think through of all of this that we not go too far in agreeing to fix our land base or water consumptive use by a contractual commitment, because we do have ABU water available for sale, If people wanted to use it I think they should be able to use it. We have the opportunity and opportunities pending, for new subdivision uses that we will likely grant over the course of the next several years. I think that maybe that, together with the use of platted but unused subdivision water, will result in an increase in the total diverted water reported by MVIDD in any given year, if you include the conserved DCP water as part of that. I think your comment on the sentence saying "thus the total water use" is that that sentence is unclear as it stands and that certainly if you lost that 10,000 acre feet of conserved water over the course of this program we are not going to see a net increase in water use for this district. If you include that conserved water in the overall total it is important to at least apprise that we foresee growth and development within the district and all that we are willing to ensure is that we will hold agricultural use constant for the short term within this program. Even there we will hold it constant only so long as there is no net increase, If water moves from one field to another or is reallocated according to district policies we are at liberty to do that as long as there is no gaming of the system. Where land is allegedly taken out of production to just be replaced by other land next door, that is a real concern of ADWR and because they made such a point of it, I think we should address it in some fashion but beyond that I am open to suggestion on how this can be simplified or clarified. Perry Muscelli stated that changing to M & I uses answers that question, we are advising them that all the other uses are likely to grow as they are developed and improved and approved by us. I'd like to hear Vince's comments on what specifically needs to be changed because we need to come up with a document as a result of this meeting. Chip stated we have to give them something because they are asking for something and it cannot be too vague and that is why Mike has come up with this and some perimeters to answer some of the questions that they have asked. John Kai wanted to know as this goes on and there are other means to improve our water efficiency we may have additional water under a new type of efficiency and we don't want that to be locked out of the deal but if we can do something with technology coming on, we may have extra water that we can figure out to do with. Vince replied to John that we need to remember our audience and what the purpose is of this initial document, there is nothing foreclosing us not to do anything. They've got a lot on their minds and dealing with very big topics and volumes of water that are much larger than the volume that we are offering up. My feelings are that there will be time to get into any number of these things that you are talking about. John stated that he it needs to be known to everyone in the district that technology is always changing

and we can better utilize the efficiency of our water. Chip said let's get back to the item. During the term of the program, there shall be no net increase of agricultural land or agricultural water entitlements within MVIDD, where are we with that? Vince stated we can fix it the way both Mike and Perry both indicated with the replacement to M & I to fix that last sentence. Vince stated that his overall statement is that we can limit, starting with "currently" in that first paragraph we can simplify all of that ABU water discussion including reference of price and whether or not the demand is stable or not stable just by replacing with a very simple statement that discloses that we have water that is allocated to M & I uses specifically subdivisions, that is unused in any given year and that we have a program in place that allows that for the annual reallocation of that unused supply and we anticipate the need to continue that in place during this program period. Some sentence like that I think summarizes that piece all together. I think you can provide that rather than going down to the next paragraph with the bullet points, I don't disagree with those points, the real points we are trying to address is that this program will result in a net reduction of agricultural water use and we can provide some statement of assurance and clarity. This is that simple. We don't need to provide 4 bullet points of details how we are assuring that. We can make a statement that we anticipate our program will still allow for various transfers within the district to occur and moving water around in the district such that there will not be a net increase of water use within the district or agricultural acreage within the district as a result. I think those are the points that they really want to hear and we can say that simpler and Mike I think you can say that more simply if everyone is on board with that approach. Chip referred to Perry Muscelli. Perry stated that they did want specifics and Chip affirmed that. Chip stated to Vince that it may not be written the way you envisioned it and we may be able to massage it a little bit but I think if we do not answer the questions that they asked of us, it's going to come back to haunt us. We want to get on a fast track with this thing so we have our name in the bucket and we don't lose the opportunity. Perry stated we need to massage this right now and Mike needs to have clear direction so this can be redrafted. Perry referred to Mike and asked how we can accommodate some of what Vince is saying without missing the point in our answer. Mike stated one way to do it is to change the introductory sentence in the bullet paragraph to say that MVIDD shall provide assurance that water conserved by active fallowing will result in a reduction of agricultural consumptive use within MVIDD and leave it at that and eliminate the bullets. Vince stated the first bullets is a summary statement and he read it again. Vince states that pretty much says it all the other bullets below are subtopics below that bullet point the way he reads it. Mike stated that's a fair reading and the detail there was to assure MVIDD that this was approving a lot of things we do on a day to day basis. For example, if somebody has agricultural land that they want to convert to M & I use, they should be able to do that within this program.

Similarly if someone wants to trade land within the district they should be able to do it within this program. These paragraphs are more in there to protect MVIDD then to offer something to the state or CAWCD. That is why they are there. We can take them out and make the statement of assurance. We could say it either way, that there will be no increase in agricultural water entitlements or that we will guarantee a reduction of agricultural consumptive use within MVIDD. But, bear in mind that is really what they want, they want demonstrable reduction of agricultural consumptive use within the district that will pass the BOR's accounting so that the water that they are paying for will end up as wet water in Lake Mead and not be lost somehow in the process. How we can get to that level is where we need to be and it takes some thought to be able to envision a scenario where this flexibility within the district to do the day to day operations and not unduly restrict any constituent from things that they would ordinarily be able to do just because this program happens to be in place. It is a balance between trying to be too specific and too general. I don't know how to fix it except to go one way or the other, to leave the detail there for consideration by the state and CAP or reduce it down to a sentence or two that says we will assure you there will be no increase of agricultural land or agricultural water entitlements or will we assure you that there will be an actual reduction of agricultural consumptive use or both. Perry Muscelli state that he likes all of the detail personally. I like the detail because it looks like we have put some thought to this and we are trying to give thought to this and I don't want to mask this. Unless there is something wrong with what we have said. Vince stated he doesn't see it as masking it to the point of Mike saying that who's our audience for this document. The last four bullet points basically say that the audience is us and our constituents and making sure that everyone really knows that this not going to infringe on your rights as a water contract holder. What we want to convey to them is the first bullet point, them getting into and understanding this level of detail of our various policies, they don't have the time or the bandwidth to get into that level of minutia for a document like this. I think that we can live without it and we can discuss it. I think we all know here we can put that under a parking lot in terms of bullet points that we know are our own guiding principles as we develop it and doesn't necessarily need to go set forth in this form. I don't necessarily debate or disagree with anything. I am just trying to make this, given where we are in the process, which is very early, something easily digestible and understandable and only disclose the most critical points that are relevant to getting us moving forward. Vince recommended leaving the first bullet or something like it in there and blend it into the paragraph that it is attached to and delete the last four bullet points. If we feel compelled to include this, we can certainly make a statement that the program is not intended to infringe or impair the general workings on how the water rights are administered per policy and contracts in the district. Mike suggested that Vince's point has been

made, I think it has its merit but why don't we finish the document and hear some additional comments perhaps from the public and then come back and revisit the document as a whole and bring it to a level of conclusion. I think we need to hear from the public too and hear what they have to say, we need their point of view for final consideration. Chip stated we will read the rest of the document then go to public comment. Chip proceeded to read Effect of Shortage Conditions. Mike stated he wanted to make a comment to the shortage sharing. This is another area that ADWR and CAP specifically asked us about. We spent a significant amount of time in our conversation discussing true shortage conditions imposed by the Department of Interior and how that would effect MVIDD. We made the point that we thought there was reason to believe we might not be curtailed. They did not answer that challenge one way or another. In the event that we are curtailed, the board will have difficult decisions on how that shortage will be borne. Obviously there are a lot of reasons why certain uses, particularly subdivision uses, should be protected against having enforced curtailment. That burden has to be borne somewhere but that may occur in the future and I think it is appropriate to put off the hard decisions that have to be made until we are actually faced with those conditions. It is also wise to anticipate somewhat what would happen. They would like to see the shortage not affect the active conservation. This paragraph is intended to provide notice that we may not see it that way and maybe the conserved water should bear the brunt of the shortage and not the individual uses within MVIDD. There is a lot to think about in this paragraph but that was the intent. Vince stated he likes and appreciates the statement we are making here that it is not clear to us and we have a shortage risk, I think that is what we are saying here. Vince verified that with Mike. Vince continued to say it is the correct statement. If we have a contract to deliver water to somebody and because of shortage or other reasons and we are not able to perform under that contract, obviously, we are not going to be able to be compensated for that. I like and appreciate that statement and I do like at this point that it is three options. We can decide as a rule that all shortage will cut from the program, meaning a reduction in conserved water. We can also go the other extreme and say that we are going to bear it all on the agricultural side so that we protect it, or the middle ground option that the land owner can elect where he takes that hit. We don't need make that decision today but it is not an improper thing to say that that is an open question for us. Vince asked if that is what the whole paragraph says. Mike said that is a fair summary and that is fine. Vince asked Chip to remember that he has more comments about the beginning of the document and after public comment that we go back to those items. Chip stated that Jaime Kelley is flagging him and he would like to hear what she has to say. Jaime Kelley stated as a representative for Mohave County Water Authority, she is directing the question to Mike, and wanted to know if this last paragraph that the district is inserting is to deal with CACWD and their position that

the shortage sharing guidelines are simply guidelines and they have not been formerly adopted and CACWD is not bound to recognize them. Mike stated that he thinks he understands the question and it speaks to the idea that CAP had tentatively agreed or it was recommended that CAP should agree to bear the entire 4th priority shortage during the term of the Interim Surplus Guidelines. Yes, they did not indicate that where abandoning that principle but they are concerned about it. I think that the fact that shortages today are much deeper than we collectively believed they possibly could be in 2007 has an impact on that commitment to bear the shortage entirely at the Central Arizona Project level. They did not press us for an answer to that question but it is clearly on their minds. We have some ideas that may be specific to MVIDD in response to a suggestion of curtailment of 4th priority water. We certainly have Present Perfected Rights within MVIDD that should be immune from that type of shortage. What we are trying to do is acknowledge that the possibility exists and how we would deal with it and not take head-on the issue of whether CAP will be bound by any commitment to accept all shortage conditions on the river until 2025. I don't know if that is going to withstand the test of time. Jamie Kelley stated she understood but asked if CACWD asked that the conserved water or the water that you put behind the dam in this program not be subject to the shortage a reduction to address the shortages that MVIDD is to take. Mike stated that it would be fair to say that it was clear to him that they were asking the question that if shortage conditions were to occur that this water would be protected and continue to be stored in Lake Mead regardless of the effect on the end users within MVIDD. So this is somewhat of a pushback against that concept. Jaimie thank Mike for answering her questions and will save her comments to public comments. Chip stated we have gone through all of the document then asked Vince if he wanted to go back and answer his concerns or take public comment. Vince opted to hear from the public.

Barbara Pape addressed the board and expressed concern to have this laid this out to the public and the details are important to everyone in the community.

Lois Wakimoto addressed the board regarding the program and believes we have a good start and should have public hearings and let the people in this area know what we plan on doing with particulars in this program. Her concerns were that taking out nearly half of the water allocations in an area affects agricultural and economic development in this area. Another concern is the shortage for the river communities and the local area being able to come to the district to buy fallowed water to continue their own growth when the cuts begin.

Chip replied to some of Lois Wakimoto' s concerns and stated that the District is trying to be very open on this and in his opinion agricultural is

the only way we are going to be able to help this shortage. This DCP program is very important for the State of Arizona and California gets more water than the state of Arizona and has been able to overuse water in the past. The only short-term and long-term fix is an agricultural fallowing program to put water behind the dam. We don't want a tier one shortage. We understand the concerns of the economic development in this area, but you can't have your cake and eat it to. You have to reduce the water use and if you use the DCP to do that and put water behind the dam that's going to be a benefit to all of us. It will help with shortages in the future. Lois Wakimoto stated not at the cost of the Colorado River Community and rural Arizona. She applauds that we want to put water behind the dam, which needs to happen, there's no doubt. I just don't want it to be a backdoor way to CAP to be able to take out and use water behind the dam and CAP be able to use and take more of their 4th priority water as an exchange for this. If we all keep the water level up, which is what we are trying to do, that is perfect. Give consideration to the River Communities. I just don't want to see this in the DCP, and as a member of the steering community, I'm telling you it is going to take a consensus. I want you to take into consideration that CAP cannot continue to feed central Arizona and let them grow at the cost of rural Arizona. Keep that in mind. One more thing, as you are talking about verification of farmers, I hope you use the same thing you guys passed, farming average 3 out of the last 5 years and the average amount of water used to take part in this fallowing program. Those are the rules you guys set to define what a farmer is and you should set that as the standard for deciding enrollment for existing farmers.

Jaime Kelley addressed the board. She commended the board because we do need water behind the dam and the concern in the DCP rooms is that conserved water is only going to be a stepped transfer because CACWD is going to pull out an equal amount for mitigation purposes. The ICS portion of the small groups is complete but the mitigation is not complete. They are struggling to find the water. , We will see, but that is not important today. What I would like to know is that your agenda item says discussion and approval of a proposal. Mike prefaced the comments today that it is just a proposal, how are we to know it is just a proposal when it is submitted? Because it appears to be an exhibit and appears, I'm not clear from your agenda item, that you're not adopting it as your proposal. How are we to know it is subject to negotiation? Mike stated that is a fair questions and he had envisioned that whatever this document takes as a final form it would be transmitted under a cover letter signed by the chairman that would say this is a proposal for consideration and continued discussion and represents no commitment by either party to the specific terms. I hope that will suffice to address that issue. I think that it necessary to demonstrate the sincerity of that part of the resolution at the end of this meeting. To go forward we could incorporate that concept that

this is just a proposal and does not represent a final action of any specific item. Maybe that would be a satisfactory way to address that concern. Jamie Kelley stated absolutely when it's a public document and you have transmitted it out she would like a copy of it. Chip stated we would also put it on our website. Jamie said her first comment is the term and she understands that there are really no guidelines as to what the ICS certificate is to look like. She sent out a memo that had the exhibits for the 2007 guidelines. In the DCP process the term has always been discussed as the balance of the interim period which is 2026. That's not to say you couldn't do this type of plan again as the next set of guidelines are re-negotiated. But, inside the DCP meetings we have been told that the DCP plan is very limited in its terms and concepts and does not extend beyond the interim guidelines and I would like to see if you could incorporate that into your policy to tie it off. I have issues with the terms of your enrollment and I think that to get you guys across the finish line, if you could include some type of language that the district has not yet adopted a fallow plan but will engage in a public process to adopt a fallow plan but preliminarily the districts proposes a fallowing program that includes the following. I am very concerned that the district will take the position at some point down the road that the proposed term in this exhibit will be the terms of the fallow plan. I think the one year period of active cultivation is insufficient. If you look at Yuma Mesa--it's the most recent one--their program defined land in production the last four out of the last five years. Palo Verde was the only other one I looked at and it was two out of the last five years. I'm concerned that this opens the ability for a farmer with fallowed land or lands not in production to throw them into production in 2019 to participate in the program in 2020. Chip asked what lands Jamie was talking about. What lands could you throw into production today that are not in right now that would have enough water to be able to produce any agricultural land. Jamie stated it was a concern, she has not looked at the details. She thinks the district has farmers that are not actively farming that have a water allocation. It is that situation that opens up the system for gaming right there. For those of you that have been actively farming, it's not an issue. You will meet the three out of five, you will meet the four out of five or meet the two out of five. But one year is not much of a box. But, again, I am asking for a public process for that. Give the public the ability to participate to review and discuss. I am also concerned about a fallow plan some point in the future setting forth the maximum number of acres that can be involved in it. Every other plan I have looked at has a maximum and of that maximum a percentage has been allowed to participate in the fallowing. Palo Verde is the one she found the information on this morning and they allow 20-22% of their lands to be fallow at any given time. I understand the size difference between Palo Verde and MVIDD factors into that, but again, I think 50% is a high number. I would like the district to share whatever information it has, and evidence that it is not a significant impact to the community, whether it is agriculturally or

economically, we are looking for a public process. I am going to trust the board to negotiate the best deal for MVIDD as it pertains to shortage reductions. If the director's guidelines are not recognized, and there is a lot of talk that they will not be recognized, communities are going to be cut. The problem is that the river communities themselves have no water to cut, they do not have fields they are irrigating. They are going to become people that don't take a long shower that don't flush their toilets and they can use some assistance. The Authority has appointed Mark and Chip to a committee to explore fallowing and we haven't heard anything come back. But that's the concern and if you look at the shortage sharing guidelines, the modeling from the 2007 guidelines, this district takes a cut even when the cities don't. I think you are hard pressed for AG not to absorb those cuts. Chip said that was stated earlier, that's preliminarily what's going to happen and AG is going to take the cut, we cannot go out and shut off peoples households and I think that concept has always been out there. AG is going to take the biggest brunt of the cut and I just think that is probably what is going to happen. Jaime said she would like to see that through a public process, we would like to know what the biggest brunt is verses the entire brunt and thanked the board for their consideration. Chip asked Mike if he wanted to address any of that. Mike stated the history is an interesting question and he doesn't know if it makes much difference in MVIDD whether we looked at lands planted in 2018 verses three years before that or not. We can look at that and try and make an intelligent decision on that. To the extent that the point is if this doesn't get implemented until 2020, somebody would have the opportunity to bring lands into production that were not in production in 2018 and thereby qualify. I think that is possible but I don't believe, at least in MVIDD, any real opportunity to bring in new land in that time frame. First of all there is no agricultural water to dedicate to it so you couldn't bring additional lands in. There would be one of two scenarios, either taking water off of existing land and moving it somewhere else, which is not likely, or taking water that was not used in 2018 and applying it to land in 2019. I suppose that is possible, and the question is whether that should that be part of the base that constitutes the overall agricultural consumptive use that is going to be reduced as part of this program or not. I think it is a good point and something we need to consider. I don't know that we need to change what we say here yet because I think that historical demonstration is going to be point of significant concern to the DCP itself. We may get rules or guidelines from them that dictate the results so I am comfortable either way finessing that issue to be less specific or leaving it as is in anticipating that it will be a subject in a future discussion. Vince stated he agrees with Mike. I clearly can understand what Jamie's perspective is in terms of gaming and the issues involved with that but I do think we need to take a step back and take a larger kind of content here that we are being asked to do this specifically because the state and region and basins need help from the

agricultural sector to grow less crops to conserve that water. If we are worried about gains and shifts that can happen on margin scenarios we are losing sight on the idea and therefore forcing people to say "no you have to keep growing hay or Sudan for another few years so you can then qualify" that is kind of missing the overarching point of what this program is trying to do, which is to say that we have a problem, any water that would otherwise be used is legitimate wet water and I think we certainly need to more or less have a debate about this but I think we need to keep the larger issue in mind when we do that relative to the gaming issue, which is obviously an issue. Perry stated that it is important that we keep our agricultural water put to as much of a beneficial use as possible. I think that is a great resource to this community that we have this and that it is being put to use and if it is not being put to use then it is at more risk than if it is being put to use. Even though some may look at it as gaming, but I can't imagine who would be doing the gaming, but assuming that there were lands that were more recently put into production that had a water entitlement already I think that is a good thing for the community and a net benefit to the community to have that water being put to use. I don't think we should discourage people to putting our water to beneficial use, I thing that is our protection down the road. Lois Wakimoto stated she believes if the water is being put to beneficial use now that is fine but the district has farmers that have not used their water and have an allocation and there are people waiting to get AG water and those are the concerns I have. There are farmers that have huge water allocations that are only using, some of them using 1/16 of their water allocation in one particular year. It is not going to take much to put that land in production. Chip asked if she was stating that she did not want that land put back into production. Lois stated how can they say they are fallowing it if they are not using wet water now. Chip replied there were circumstances that we have taken under consideration; that there have been similar circumstances with subdivisions and golf courses and we have allowed flexibility in there to try and compensate for that. As you know, when the economy just went downhill we changed our policy on subdivisions that wanted to get an allocation of water. We don't want speculation on water but we tried to make it so when the economy came back, those lands could develop. Now things are improving and we can be a little more stringent on the thing. We have to give the people a little more time to develop the ground and at that time they could not do it and farming is the same way and you know that Lois. I am not denying that the agricultural land should have been put into production a year or two years ago, I agree whole heartedly. We have seen forward progress on that and it is a contentious thing not to see a farmer farm, and I understand what you are saying. I don't think that we are talking about that many acres or acre feet. Lois stated you guys struggled with, because I went to all of the board meetings and per one of your board members stated are we farmers or are we not and you have rules that you have set down that you

have followed all along. I am not saying you shouldn't make consideration for farmers because I have been there. We have grown lettuce in Maricopa county and fields and fields of lettuce and what did we get for it because we let lambs graze. Yes that is part of farming but you guys have rules that you have set up and I am not saying that consideration should not be given. If in fact if it was important enough for production to happen water should have been used either that or it should have gone back to people in line ready and willing to use the water, but it sits, water allocations sit. It is all about water right now and water is a hot commodity right now as you know. You have water just sitting right now. Chip stated we agree and this board has taken it upon themselves to monitor this situation and we have given extensions and extensions and they have basically run out and I think you will see the board make some determinations here shortly as to what will happen with those farm grounds and those water allocations so that we can facilitate bringing some of that water back. There are not a lot of people in line, there are only two people in line for water right now. Mohave County and Chip Sherrill that is about one hundred acre feet between the two right now. Chip told Lois that we are looking very hard at this and determined to stay on top of this right now with that water and farms not producing and I think this board will take some action shortly that will probably take care of that, at least the hundred acre feet so we can reallocate it to the county or whoever is in line. It is not specific to who it is. If this water is not being used this water needs to come back. Vince asked if we were still in public comment, Chip said we were and called Karen Summit to address the board. Karen Summit wanted to make sure that this proposal for DCP that the water will stay behind Lake Mead and not go someplace else. The whole purpose is to raise the level of Lake Mead and keep it there and it not benefit someone else or another community. The other item is the Impact Mitigation where you say that MVIDD and the participating farmers shall monitor the land, so at first when you started talking about the fallowing programs you talked about low water use ground cover that would not cause dust, how can you use that if you won't allow water use on the land. Chip stated there are certain parts of the country, especially down south of here, Palo Verde and that area down there, the farmers down there instead of just plowing it up and creating a dust bowl, they'll go and get a cutting of alfalfa then spray round up, kill the alfalfa and keep the base there so the dust does not fly. That is a good mitigation of dust and occasionally you will have to go and spot treat part of it because you will have rains that will come in and weeds that grow and they have had success in Parker and Blyth doing that. They don't have to tear up the ground or add water to it other than weed control and it mitigates the dust problem pretty well. Karen asked who would monitoring this, the board. Chip stated that MVIDD will have a representative or hire someone that would monitor it. It would be independent from the board itself and we will have that and the Bureau of Reclamation if they wish to bring a

representative out to monitor it. Karen just wanted to make sure it wasn't the board just policing it themselves. Chip stated that he believes there may even be some part of the DCP Program that may watch it and monitor it. The last concern of Karen's is that this is just a proposal today, Chip stated that we have clearly stated that today and we are here today to bring it to a public process. Chip called Mike Hendrix to address the board. Mike wanted the board to know that their board was not able to take a position on it, but he believes he can say that the county certainly supports the passage of the Drought Contingency Plan and they generally support programs that result in water being conserved in Lake Mead to make the Drought Contingency Plan a reality and support Lake Mead levels. We strongly encourage a program which creates system conservation water because that water can stay behind the dam and in the lake and therefore we reserve our judgment today on the exhibit because it mentions the possibility of intentionally created surplus and it's not fully delineated on how any intentionally created surplus water under this exhibit would be used. As you know, we oppose the transfer of any priority 4 water away from the river to central Arizona now or in the future and we certainly want to be part of any discussion and look forward to MVIDD providing more detail on the exhibit. With that said I want to express that this is an opportunity and Mohave County would have, in his opinion, a level of comfort if MVIDD would revisit their Resolution 2018-01 and make it specific to the Drought Contingency Plan for the fallowing program. Mary Schramm address the board asked if there was any standards published either federal, state or county that is a document on weed or dust abatement that could be in this proposal as a standard for a fallowing program. Chip said that is a good question. However, at this point in time on this proposal here it will not have it in there but it will be part of the process. There will be a structured program. Mary is concerned we all follow a standard policy and procedure on this especially with people with respiratory issues. Mary doesn't want to see a group, not familiar with our area, dictate to us. Chip stated staff will research and try and find standards and see if other areas have standards. Mary's other concern is that the water stays in Lake Mead and the proposal states that because it says behind Hoover Dam. Lastly, her concern is that she would like to know exactly what the details are and not to leave holes in this document and that we are all thinking about this. Chip stated we cannot at this time overly detail this because this is just to get the negotiations and conversations going and hopefully be part of the DCP Program. That was the end of comments and Chip referred back to Vince.

Vince wanted to discuss the concept to amend the paragraph Basic Description of Conservation Project. It has been mentioned many times today that it will be either ICS and or system conservation water and we heard so much from Ted Cooke and Tom Buschatzke that that is their intent is to move forward in this path. Whether we state it here or not I

want to be clear from my perspective that we are just putting a water supply on the table to help with DCP wherever that help is needed. They have a big job ahead of them in terms of putting all the pieces together and satisfy any number of important constituencies to make the DCP happen. I don't want to limit our water for instance for being in some part of a mitigation component that goes to the Pinal County agricultural needs that's out there. I don't think that we need to necessarily need to outright say that but I want to go on record that I'm not against that and wouldn't think it would be in our interest or the state's interest to start putting limitations what we are or are not ok with them doing with our water under this DCP framework. With that in mind, I would recommend a deletion or modification to the sentence starting in that paragraph "The conserved water will be left behind Hoover Dam", I would say maybe it is our understanding that the intent of the DCP parties is to use this either as intentionally created surplus or system conservation water depending on that and or just deleting that sentence and end with and "shall abide by the terms imposed by the DCP" and then taking back up with the sentence with "The participating farmers". I don't think that's an issue we need to get too in depth here but I wanted to put it forward for everyone's consideration. I can keep going or I can pause for discussion on that point and Vince deferred to Chip. Chips wants the thoughts of the rest of the board members but Chip stated he feels this is written well the way it is especially in the context of where we are at with this process at the moment. DCP is going to decide where that water is going to go and that's going to come out and be part of a public process as well. I think Mike has written it well and I don't think we should pull out that part of the sentence. Let's ask the rest of the board. Chip referred to Perry. Perry said it seems like it is written consistent with the request or the wishes of the community too. I don't see specifically a conflict with taking it out, I understand this is a point where we don't want to complicate things and I don't really understand how DCP is going to go down and where all of this is going. I think this is a very fluid document that can change and we will be discussing this again, but I'm sure they will be coming back and say we don't like this, or this and we want this. Chip stated we have to get something on the table to start the process. Chip stated he would like to leave it alone, Perry agreed to leave it alone. He doesn't see the harm and he doesn't want to complicate things so we don't participate. Perry referred to Mike and asked if it was too limiting in some way that they would object. Mike stated that from the conversation on Wednesday, I understood them to be very strongly leaning toward the idea that our participation would be dedicated to ICS or system conservation. When we pressed them on how ICS would work they really did not have answers and that is understandable. My feeling on it is that if we do what we say we are going to do and reduce consumptive use for the intention of placing that water in Lake Mead for conservation purposes we will have fulfilled our mission and done so without causing concerns about

transferring water to specific entities outside Mohave County or anywhere else. I think it is a fair compromise for the constituents in Mohave County that have expressed concern about that. I think it is a fair compromise and it works for this program just fine the way it is. To Vince's point, DCP may want to do something else, if that happens and they actually need water they will come back to us and they will tell us what that is and then we can consider that. But, walking away from last Wednesday's conservation we were talking about either ICS or system conservation but probably system conservation. Vince said he would leave it at that for now, but that from following DCP it changes day by day in terms of what they need and they continue to have trouble coming up with enough wet water for the Pinal County guys. I don't think we are foreclosing on that option here and again I am stating outright that I certainly would not object if after we fulfill our part of the bargain, that if they need to use some portion of that to solve some other problems I think that is a conversation we should continue to have, I'll leave it at that for now. Next section "Term of Program" I think this is an area where we need to site a range rather than putting in a fixed number of 5. We can certainly do it more clearly indicate where we are as a group if we said something like a 3 to 7 year term. Again that puts 5 right there as a midpoint but if does reflect the idea. Whatever terms may come down through this, we may be more inclined to do a 3 year program and or may be inclined to do a 7 year program. Citing a range in here is more reflective of what I have heard in terms as where we are as a group. The board agreed and told Mike to change that. Mike stated that he would address Jamie Kelley's comment in that context. Her comment is that this should coincide with the duration of the 2007 Interim guidelines that expire December 31, 2025. I am sure that the Interim guidelines will be renegotiated over the next several years and something will replace that deadline. I am also quite certain that the forbearance agreement itself will be modified over the course of the next few years so I don't know if we need to make it coincide with that. Also the 2007 guidelines don't speak directly to system conservation they were focused on, in part, on Intentionally Created Surplus. System conservation, although very similar in many respects, is different. I think its driving part of the uncertainty at the DCP level to how to structure the program because I think system conservation water has some distinct benefits but it is kind of an ill-defined category of water. I think what we are trying to convey here is that we are agreeable to a term of years that represent a very near term crisis avoidance situation and we are prepared to commit to that and really not more. Three to seven years is consistent with that in my mind, if it does evolve at least to be coincident with the termination of the 2007 guidelines then that date will be inserted somewhere along the way as the ultimate term. I think the only point we are trying to make here is we know you need a couple three years minimum. As I understand the program is supposed to run five to seven years, I don't know, that is probably subject to change too. I think based

on that a three to seven year term is fine. Chip went on to the paragraph Administration. Perry stated to Chip that he had questions on the price. Chip said I did make a suggestion but I wasn't sure how that was received. Perry stated this is our chance to really ask something and they may go to the low end of the range and we will never see the high end of the range and the more money the district has to administer the program the better job we should be able to do with it. We are going to need to hire people to inspect and look at things. Unless it is going to be offensive in some way or something outlandish, it is a small percent of what they are paying us per acre foot for the fallowing itself. Perry stated he is ok with the $7 an acre foot and if they don't like it they can tell us. Vince stated the $7 is ok but it is also a shot in the dark, we don't exactly understand yet what the administrative duties are going to be. I think we can state something in there that MVIDD will expect some kind of administrative fee to cover the costs of the maintenance of the program without citing a dollar amount. I do not have an issue with actually citing it but we don't know if it will be ultimately too much or too little yet or what the duties are going to entail. Chip stated that we are going to leave it at $7.00 per acre foot of conserved water. Chip moved on to paragraph Enrollment. Chip asked Mike if we should change the amount of water here, we have 10,000 to 15,000 and we are pretty sure that is an overstatement. Should we say approximately 10,000 acre feet? Perry stated it could be less. Mike stated his concern is we may be false advertising, I think 10,000 would be a stretch, it may be possible, but when I ran the numbers it was more like 7,000 to 8,000. I don't want to promise something that we cannot deliver, I appreciate the 10,000 as a nice round number and will look nice in the DCP planning process. I am hesitant on suggesting something I am not confident that we can deliver on. Perry asked Vince what he thought the water consumptive use would test out to be. Vince stated he has done studies in the Mohave area and it is higher than Yuma Mesa and he knows the Yuma Mesa numbers were quoting something like 5.1 acre foot consumptive use based on their actual program and included citrus lands that used a lower consumptive use. Again, in light of this being a high level document, I do not think it is inaccurate or indefensible to suggest language that says approximately 10,000 acre feet. I can get there by saying 4,500 irrigable acres, half potentially being fallowed in any given year, 2,250 irrigable acres of consumptive use factor of 5 to 5.5, which I think is all very defensible and you will get into that range. I think for the purpose of this document I don't feel at all promotional or misstating approximately 10,000 acre feet. Chip referred back to Perry. Perry stated it sounds reasonable with the math. Chip said if we put in 10,000 acre feet I don't not know if we are overstating it, but we are not promising too much to them, we do not know what our deal is going to be until we get to our consumptive use. That is going to be a matter of contention in itself because of what the Bureau states, what the DCP states, what the irrigation districts states, that's going to be a work in

progress. Clay Vanderslice stated that there can be a big difference. Perry stated what if we say potentially. Chip stated he believes approximately sounds better and if that is ok with everyone for Mike to put in approximately 10,000. Mike said he has it. Vince stated his only other comment on this is that MVIDD envisions that enrollment will remain open allowing lands to enroll and de-enroll in the course of the program. I think that this is a detail we will get to but right now, as I understand it, from watching the DCP process and what they are trying to accomplish, that they want to really know on a relatively firm basis, what kind of volume can they hang their hat on, plus or minus, and count on it over whatever period of time they are thinking about. The idea of enrollment and de-enrollment with the people coming in and out, I think that we're better off if we ultimately have misgivings or not really wanting to commit to long term for a lot of our water supply then we are better off controlling for that with the term or volume that we commit to rather than this particular language. I think it's going to leave them scratching their heads about what it means in terms of what they are trying to figure out which is, what is the reliable volume of water you can deliver. I don't have a problem with the concept, I just don't know how it filters into this document at this time. Perry stated I like getting those comments in there early and say we said that because we might have a reason to take lands out because we may use the water for some other purpose. If they don't like it they can tell us, if they don't like the $7.00 administrative fee then they can tell us. I think part of it is how we present it, talk to us if you have concerns, I think they will. I can't imagine them walking away or throwing us out because we have that term in there. Vince stated he doesn't know that they are going to know what it means and it requires a couple of paragraphs of its own. Perry agreed that it does with a lot of different conditions where you could de-enroll but right now I don't think we should get into all that. If we don't say that we want to have a right to get out of it then we may have less enrollment if people think it's a bad deal. Vince stated you are trying to convey upon what you have and at this stage of the game it's appropriate to say we have this and we think its approximately this based on these conditions. If I were reading this I would not understand exactly what it is trying to convey, other than it sounds like it is a non-committal statement and frankly we have bigger fish to fry then where we are with this little non-committal statement in here. We certainly may get there, I totally agree and understand your concept, we don't need to litter this with a lot of conceptual bookmarks that make sure we say "we told you we wanted something like that", we'll see if that is necessary. Chip stated to Mike that he understood with talking with them that they fairly hinted that they wanted to know how much water we could set aside for this program. Mike stated yes, they were very specific on how much water, what was your price, what can you commit to in terms of enrollment. Those are the questions they were looking for answers to. They understood that we could not commit 100% to anything but they wanted to know specifics.

They did not want generalization and that is kind of the point of this exercise. It is difficult to go through all of these points at the conceptual level, As Vince pointed out the one sentence could be at least two paragraphs worth of promises and restrictions. This is what they are looking for, specific ideas on which we are willing to commit. I understand Vince's point and it is valid. Someone made a comment earlier that we are demonstrating that we are thinking this through and understand the issues that are going to arise in this process, I think helps us and gives us credibility and it brings us up to the level where we have something to offer. Chip asked Mike how it should read. Mike said it is a black and white question, should we address the issue of open enrollment or not. Vince is saying no. It is confusing and could be detrimental, Perry is saying that he likes the idea to put it out on the table. Mike said that as we have discussed fallowing programs over the last few months, we have always focused on the idea of having an exit ramp. That anyone that was enrolled would be allowed to exit and take and develop their land to a different use if they wanted to and not be tied to a program. I think it is an important concept from at least what I have heard from the board members on this subject so it is up to you all whether it's important enough to merit inclusion in this preliminary document. I think it is, I put it in there because I thought it was. Perry said he likes the way it reads and doesn't see the same harm that maybe Vince does and maybe he needs to explain himself. I know that they would like to know if we are locked in but I don't want to imply that I am locked in. I have always been an advocate for having that flexibility, if a giant player wants to come in and buy some of my land, I want to be able to do it. Vince stated he doesn't care whether or not that it is in there, I think that you can control for those factors in a number of ways. You could control for those factors by not enrolling the maximum percentage of your land and if you felt there was a need for you to maintain flexibility on something. If you kept that particular piece for some reserved acreage out of this program, including if you felt there was another program you want to enroll in and you wanted to reserve it for that purpose. You could control it in a number of years, certainly it is hard to project out seven years, less hard to project out three years, and it's not hard at all to project out one year. So I think there are ways to control for that, certainly everybody wants their cake and eat it too, optionality is everybody's friend. Again, what is the purpose of this document, do we need it? It sounds like that there is at least one person that thinks so. I haven't heard from Chip yet or anybody else. I don't need to get this one way so if there is consensus that we need to keep it in as a point, so be it. Perry stated that having this feature in there would improve enrollment and give more people enrolled in the program flexibility. So there's likelihood that you are saying that I have to leave my property out just in case I want to rent to an Amazon Warehouse someday, I think that is silly and why not have flexibility built in. Chip asked for the consensus of the board. Clay stated that he thinks short term like five years is not

bad, when you farm, you plan out five years in advance anyway, and that doesn't sound so bad. Seven years you are getting up there, but they do want to know something solid. Perry stated but you may not want to do that in the first year or some other farmer may say they do not understand this program and then say oh I see how it works now and may want to come in on year two. Why not have the door open to them, that just gets more people to participate in it and it is a benefit to the program. Chip asked if John had any comments. John stated that he likes Perry's flexibility but after the meeting with Mike and you all they want to hear something solid and we should go with Mike's thought. Chip stated that was a consensus and we will go with Mike's written thought. Chip moved onto the paragraph Verification. Vince comment on the first sentence that he would insert the words and crop after "based on the previous year's water" to state water and crop history. I think as we get into consumptive use discussion the crop history component will be important and those two numbers will have to be reconciled. I would insert the works water and crop history. All members of the board agreed. Chip moved onto paragraph Cost of Conserved Water. Vince stated he was good on the rest of this because of the prior conversation with Mike on this before. Chip stated you had a change to delete the second paragraph on this item. Vince stated that Mike was making the changes as we were going on. Chip stated that we left off here before jumping back to the beginning and Mike did delete the second paragraph in Cost of Conserved Water. Mike stated we tabled the issue in the paragraph Overall Water Use by MVIDD to take public comments. Mike stated we have not changed this because we did not seem to get a consensus, I did make one change, in the last sentence of the first paragraph that says now "Thus, M & I water use in MVIDD is likely to increase" instead of the "total water use" that it said previously. All the bullets still remain and the decision came down to should we delete all the bullets and combine the introductory first sentence with the first bullet and make it just that and delete the rest of the bullets, should we leave the bullets in, that is kind of where we left it off and we did not reach resolution with that. I can kind of go either way, I think, again, I said it before, but because they made such a point out of this with our conversation I felt it was justified to give them some thought and details back. We have been thinking about this and maybe some of the issues. I am somewhat concerned about ABU Water, because if someone came in and said I want to buy 1,000 acre feet of ABU Water, would we sell it to them, probably. That would be 10% of the supposed conserved water that we were guaranteeing, that's a big percentage to give. Vince asked if ABU Water is primarily a function of subdivision and Mike replied yes. Vince stated that in order to see a contemplated use, you have to figure out what somebody is going to use that ABU Water for in some future period. I think you might want to say at some point that would we put a restriction on the use of ABU Water for the purpose of agricultural use? To not violate our principle below of no increase or net

increase of agricultural land. Vince asked Chip if ABU Water should be allowed to be allowed to be supplemental water if it is needed on some farmland within the district. Mike stated that is a good questions and in a practical matter it's not available because of the cost and the term of ABU Water. Because of that, nobody can farm at that cost of water and we could simply say it is not available for agricultural use, I think that could be really a rule without a change in practice. Perry stated except the County may need it, so there is an example that may make sense so there is an exception. Chip stated he doesn't know how the County can afford to buy ABU Water and supplement their water on the AG side in alfalfa, especially in the income they are getting from the rent and if they were to defer that to the people they are leasing to, I guarantee they would go broke and cut it out and say forget it we are not farming it. It's too restrictive and too expensive, you're talking $800 an acre to water with ABU Water and that's just outrageous. I think your statement is true Mike and AG is not going to be involved in the ABU Water. Mike stated this is an area where there is going to be a lot of questions and we will have to give it a lot of thought. So to try and get this to a conclusion here we can either leave a level of detail in that we have already kind of considered or just provide the assurance that we will limit the amount of agricultural land or limit agricultural water and will guarantee that there will be not be a net increase of consumptive use and let it go at that. I am ok with either, like I said, these bullets were really intended to be protective of MVIDD and not to be a sales point to the DCP. So to the extent that any of you feel that these points are important and necessary to what you are thinking of doing in the next three to seven years, I would speak in favor of keeping them. Perry commented that if he understood some of the comments here, that the public liked the fact that we are telegraphing we have given this considerable thought and it is to our benefit to leave those in there and just resending the message that we have thought things through. If we are on the fence on this thing that's something to consider. I have one correction or maybe you mentioned it Mike and I missed it. In the first sentence in front of the bullets we were going to add the word agricultural in front of the word consumptive use so the "result in a reduction of agricultural consumptive use". Mike replied he was right and would make that change right now. Chip asked the board for the consensus of the bullet points. Perry said to leave them in, Clay said to leave them in, John says to leave it like Mike said, and Vince said to delete it. Chip stated the consensus is to leave it in. Chip moved to the next paragraph Effect of Shortage Conditions. Vince said he has no comment, Perry had no comment, and John had no comment. Mike stated that he has every change that was discussed and approved was made now in the document and he will leave the watermark draft stamp on it and save it as a new version and send it to Kerri and she can distribute it to the board members and post it on the website. I would think that at the end of this meeting would be a determination by the board that you do in fact want this

document transmitted to the DCP planners. We were told to send it directly to Tom Buschatzke and Ted Cooke and they would attend to it after that. Chip asked if we should make a motion. Mike stated that would the protocol and then I think there is some level of concern that the motion be clear that it is a proposal and not binding on anyone or words to that effect, and the third point is that it will go out under a cover letter by the signed chairman of the district saying that this is responsive to our telephone conversation we have prepared the attached summary document for discussion purposes only and it is intended to be a conceptual proposal. Perry Muscelli made a motion to the effect that we take the document with the changes we have all discussed to be transmitted with a letter by the chairman that describes it as a proposal with all the conditions just described by Mike. Clay Vanderslice seconded the motion. All in favor motion passed. Kai – Y, Muscelli – Y, Vanderslice – Y, Vasquez – Y, Sherrill – Y.

4. **CALL TO THE PUBLIC.** *Those wishing to address the Board at the Call to the Public regarding matters not on the Board agenda must fill out and submit to the Administrative Assistant a Call to the Public – Request to Speak Form located in the back of the room prior to the meeting. Action Taken as a result of public comments will be limited to responding to criticism, referral to staff, or placing a matter on a future Agenda. Comments are restricted to items **NOT** on the Regular Agenda, and must relate to matters within the jurisdiction of the Board.* There was no additional public comments.

5. **ADJOURNMENT.** Perry Muscelli made a motion to adjourn, Clay Vanderslice seconded the motion. All in favor, meeting adjourn at 12:22pm. Kai – Y, Muscelli – Y, Vanderslice – Y, Vasquez – Y, Sherrill – Y.

Agendas are available on our website www.mvidd.net, as well as posted outside the District office bulletin board outside the office door located at 1460 E. Commercial Street, Mohave Valley, AZ 86440. To subscribe to agenda notifications please visit our website.

Pursuant to the Americans with Disabilities Act (ADA), Mohave Valley Irrigation & Drainage District endeavors to ensure the accessibility of all its programs, facilities, and services to all persons with disabilities. For an accommodation please contact the District office at 928-768-3325. Requests should be made 48 hours prior to the meeting to arrange the accommodation.

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October 23, 2018 Special Regular Board Meeting Minutes
Exhibit “A”

Exhibit XX Land Fallowing Program

Exhibit XX

Mohave Valley Irrigation and Drainage District (MVIDD) Extraordinary Water Conservation ICS

Land Fallowing Program

Activity: 2.1 A - Extraordinary Conservation ICS – Fallowing of land.

Description of MVIDD:

Mohave Valley Irrigation and Drainage District (MVIDD) is an irrigation district formed under Title 48, ch. 19, Arizona Revised Statutes, to provide irrigation water to lands within its boundaries. MVIDD holds a contract with the United States Bureau of Reclamation (USBR) issued under Section 5 of the Boulder Canyon Project Act of 1928, being USBR Contract No. 14-06-W-204 in the amount of 41,000 acre feet annually, and also holds a supplemental contract for use of Colorado River water through the Mohave County Water Authority (Contract No. 09-101) in the amount of 1,250 acre feet annually. MVIDD's exterior boundaries include lands that are part of the Fort Mohave Indian Tribe reservation. MVIDD does not deliver water to those lands. All references to MVIDD and MVIDD water use described here are solely for non-Indian lands within MVIDD.

MVIDD has entered into subcontracts for its water entitlements described above with entities and individuals for permanent water service at the local level. Approximately 32,500 acre feet is currently allocated to agricultural subcontracts.

Basic Description of Conservation Project:

The purpose of this program is to conserve water by reducing the consumptive use of Colorado River water within MVIDD by fallowing lands that are currently used within MVIDD for active agricultural production. The program is intended to coordinate with the State of Arizona's Drought Contingency Planning program (DCP) and shall abide by the terms imposed by the DCP. The conserved water will be left behind Hoover Dam either as Intentionally Created Surplus (ICS) or System Conservation Water, depending on the overall structure of the DCP program. The participating farmers within the MVIDD will voluntarily fallow lands with a demonstrated irrigation history and rotate commercial crop production among enrolled lands, thus providing a regulated and verifiable reduction in the consumptive use of water by MVIDD against its demonstrated water use history.

Term of Program:

MVIDD envisions that the program will be structured based on a 5 (five) year minimum term, depending on available participation in the DCP, with possibility of extension upon mutual agreement. MVIDD believes that it could implement the program in 2019, subject to the constraints of the DCP.

Administration:

MVIDD will undertake to administer the conservation at the local level, including preparation of necessary enrollment documents, scheduling of annual participation quantities, verification of compliance, impact mitigation, overall reporting and distribution of proceeds.

Because all production and distribution facilities are owned by the individual farmers, MVIDD will obtain necessary permission to lock out any gates for participating fields as needed. In the case of shared gates, a physical obstruction will separate the fallowed fields and prevent delivery of water.

To administer the program, MVIDD will expect an administrative fee from the DCP in the amount of $7.00 per acre foot of conserved water.

Enrollment:

The fallowing program participants will consist of owners of agricultural land within MVIDD. An enrollment process will be created whereby participating farmers will voluntarily agree to limit planting of crops on land that has been verified as actively cultivated (or enrolled and fallowed) in the prior year. To make participation equitably available, the minimum number of acres will be small, approximately 10-15 acres. Only ½ (50%) of enrolled lands will be eligible for fallowing in any year, and requirements will be imposed to require rotation of planted crops among the enrolled acres at least every three years. MVIDD envisions that enrollment will remain open, allowing lands to enroll or de-enroll during the course of the program.

Based on informal polling of agricultural landowners within MVIDD, MVIDD anticipates that the program will yield in the range of 10,000 – 15,000 acre feet of conserved water per year.

Verification:

Conserved water yield estimate for fallowed fields will be based on the previous year's water history. Enrolled field locations will be identified, mapped and checked for irrigation history promptly following the farmer's enrollment application. That information will be shared with appropriate DCP coordinators as soon as available.

MVIDD staff will monitor fields throughout the year to verify water is not being used on fallowed lands. In addition to MVIDD verification, USBR may conduct an independent annual verification with its own staff.

At year end, MVIDD will prepare a report identifying the fallowed acres and calculating the net reduction in consumptive use within MVIDD. That report shall be promptly delivered to appropriate DCP coordinators for review and additional verification.

Cost of Conserved Water:

Based on informal polling of agricultural landowners within MVIDD, the compensation needed to offset the economic benefit of maintaining lands in agricultural production would start at $250.00 per acre foot of conserved water net to the participating landowner, with an annual increase of 3% for each year of the program.

Payment may be made in two installments, the first due on or about January 1 of the calendar year in which the conservation is to occur (based upon MVIDD projected enrolled participation in that year) and the balance, adjusted to the actual water conserved in that calendar year, due January 31 of the following year.

Impact Mitigation:

MVIDD and the participating farmers shall be responsible for controlling the use of fallowed land and maintaining such land to avoid noxious weeds, undue dust conditions, and rotation capacity.

Overall Water Use by MVIDD:

As noted, MVIDD has allocated water to M&I uses within MVIDD, including water dedicated to amenity users (golf courses and homeowner association uses), subdivision use (contracts issued to private water company providers that service residential homes and commercial establishments), industrial users and other miscellaneous uses. Currently, water is allocated to subdivisions platted but not yet built. This allocation represents a quantity of water available for use within MVIDD under a pricing category called "Allocated but Unused" water (ABU). The present demand for ABU water within MVIDD is relatively stable, but may increase over time. Similarly, MVIDD may allocate additional water to new M&I uses, which allocations are expected to occur over time. Thus, total water use in MVIDD is likely to increase over the term of this program.

To provide assurance that water conserved by active fallowing of agricultural lands will result in a reduction of consumptive use within MVIDD, MVIDD will administer the following safeguards:

- During the term of the program, there shall be no net increase of agricultural land or agricultural water entitlements within MVIDD.

- Water that is currently allocated to agricultural use may return to MVIDD for reallocation (e.g. agricultural water allocations forfeited for non-use) and such water may be reallocated to any available lands within MVIDD to accommodate the waiting list for agricultural water currently pending in MVIDD.
- Any water reallocated shall be reflected in an adjustment to any associated acres enrolled in the program by reduction of those enrolled acres and substitution of new acres as may be applicable.
- Any water transferred, under MVIDD policies and approvals, between lands within MVIDD shall also be reflected in an adjustment to enrolled acres, with transferor lands being de-enrolled and substitute land being enrolled as applicable. If such new lands are offered for enrollment, there shall be a minimum of one year of actual, verified agricultural production before such lands may participate in the fallowing program.
- Any agricultural water that is transferred, according to MVIDD policies, to a non-agricultural use shall result in a corresponding permanent reduction in the enrolled acres for the duration of the program.

Effect of Shortage Conditions:

For a variety of reasons, MVIDD believes that the imposition of shortage conditions on the mainstream of the Colorado River by the Secretary of the Interior may not result in any curtailment of water available for diversion by MVIDD during the term of this program.

In the event, and subject to MVIDD's right to contest same, a curtailment on MVIDD's ability to divert water in any year of shortage condition is imposed, MVIDD would need to determine, based on facts available at that time, how the shortage will be allocated amongst MVIDD users. For purposes of this program, however, MVIDD would offer enrolled lands the option to curtail water use dedicated to actual agricultural production (i.e. shortage to be borne within MVIDD) or to water intended to be conserved (i.e. shortage to be borne by DCP). If allocated by the individual user to water intended to be conserved, that allocation would result in a net corresponding decrease in compensation by DCP to the user under this program.

In Witness of this Exhibit XX to the Forbearance Agreement executed contemporaneously herewith the Parties affix their official signatures below, acknowledging approval of this document on the XX day of XX.