



MEMORANDUM

Date: November 10, 2020

To: The Honorable Chairman and Members
Pima County Board of Supervisors

From: C.H. Huckelberry
County Administrator *CHH*

Re: **Additional Information - Establishment of the Southeast Employment and Logistics Center Domestic Water Improvement District**

The establishment of the Southeast Employment and Logistics Center (SELC) Domestic Water Improvement District (DWID) was originally scheduled for your consideration at the September 15, 2020 meeting but was continued to allow additional information to be provided including a revised preliminary master concept plan for SELC and water demand estimates.

Background

Pima County owns approximately 2,900 acres of land in the area that comprises the Pima County Fairgrounds. The Fairgrounds facility totals approximately 700 acres and also includes Tucson Dragway and Tucson Speedway which are located immediately south of the Fairgrounds. Other established uses in this area include the Southeast Regional Park (SERP), which contains a shooting range, archery range, and clay target center. Both the Fairgrounds and SERP have plenty of space to continue expanding their amenities, thereby furthering their regional goals. Most of the remaining land outside of these areas is vacant and slated to be developed as part of the County proposed SELC. The SELC with its large parcels of vacant land is highly desirable for purposes of large-scale logistics and manufacturing based on its proximity to Interstate 10.

The SELC encompasses approximately 1,950 acres of land located in unincorporated Pima County. The current zoning is Rural Homestead (RH), with an industrial land use intensity identified in the Pima Prospers Comprehensive Plan. The County has completed construction of a new gravity sewer connecting the SELC and Fairgrounds to the metropolitan sewer system due to increased demand from the Fairgrounds and projected regional expansion. Also underway is a project to widen Houghton Road to a four-lane divided roadway providing additional all-weather capacity from Interstate 10 to the newly opened Pantano High School. As part of the road improvement project, the County has also been analyzing drainage to minimize flooding through the County owned property and to provide groundwater recharge opportunities.

The County has hired Westland Resources to assist with the formation of the DWID to service the County-owned property. The process to form the DWID is multi-stepped, and is expected to take up to two years to obtain approval from the Arizona Department of Water Resources (ADWR).

11-10-2020 11:11 AM
C.H. Huckelberry

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Preliminary Revised SELC Concept Plan & Reduction in Water Demand

The DWID effort requires updating the original 2017 SELC master concept plan to determine maximum water demand. A preliminary revised master concept plan has been prepared by the Project Management Office (Attachment 1).

As ADWR approval for the DWID is pursued, the revised master concept plan will be further updated to focus primarily on areas of the subject County land suitable for development. This excludes lands currently operated by the Fair Commission and those operated by the County for the Southeast Regional Park (SERP). A major constraint to delineating developable lands is the location of the future drainage channels to resolve existing flooding issues and to accommodate the roadway widening. This area consists primarily of shallow sheet flow meandering over the course of the property in a northwesterly direction. The drainage elements shown in this plan are preliminary, and will continue to be refined as the Regional Flood Control District (RFCD) completes the work in conjunction with the Houghton Road improvements.

Preliminary estimates for the SELC DWID based on the original master concept plan drafted in 2017 estimated a SELC water demand of 749,783 gallons per day assuming total building footprint of approximately 21 million square feet. However, upon pursuing further water reduction opportunities associated with mitigating the regional drainage issues related to the expansion of Houghton Road, the preliminary revised master concept plan currently projects a total building area of 8,430,000 square feet with a water demand of 240,850 gallons or approximately 270 acre-feet per year. This estimate was determined by applying actual water demand numbers from buildings in the Tucson region to the building footprint in the preliminary revised master concept plan.

Inequity of City Water Service Refusal

Formation of a DWID would not be necessary if the City of Tucson agreed to serve the SELC and Fairgrounds parcels. In fact, the City serves this general area south to Corona de Tucson but the City water service policy adopted in 2010 now precludes expanding service to the SELC "island" within the Tucson Water obligated service area.

The City of Tucson water policy service restrictions cause an inequity for the non-served County areas based on historic representations and commitments. In 1975, the Pima County Board of Supervisors voted in favor of joining the Central Arizona Water Conservation District, thereby authorizing the construction of the Central Arizona Project (CAP) for delivery of Colorado River water to Pima County. At that time, the City of Tucson was the only significant domestic water provider, providing service outside City limits from Catalina south to Diamond Bell Ranch and Corona de Tucson. In voting in favor of bringing CAP water to Tucson, the Pima County Board of Supervisors assumed that the City would continue to provide water service across the region since the 50-year debt to fund CAP construction is borne by all County constituents through property tax levies. The City of Tucson 2010 water

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service policy restrictions created an inequity with the City of Tucson receiving 79 percent of regional CAP water allocations even though it only serves 70 percent of the population.

Ownership of Effluent

A 1979 agreement between the City of Tucson and Pima County allocated the share of effluent produced by the Pima County wastewater reclamation facilities to the two jurisdictions at 90 percent and 10 percent respectively. The City allocation reflected that at the time, the City was the only significant domestic water provider. Today, the City controls 74 percent of County-generated effluent, allocating 16 percent to smaller water providers.

Still, the original effluent distribution was based on the City being the principal regional domestic water provider and not with any thought that the County would have to obtain water service elsewhere. In fact, effluent ownership may need to be revisited since Arizona Public Service Co v. Long, 1989 found that the utility treating the wastewater controlled the effluent and not the water service providers tributary to the wastewater system. Regardless of the case law, the sewage discharged from SELC will belong entirely to the County if the County DWID provides the water service.

Sustainability of Water Use Will be the Primary Goal of SELC

If the City of Tucson were to provide SELC water service, it could mitigate the hydrological disconnect associated with drawing water from well fields not hydrologically connected to CAP sources and effluent recharge areas. However, with the City policy precluding service, the County has to look to other mechanisms to reduce groundwater withdrawals associated with SELC.

The County intends to record covenants requiring SELC developments to implement Low Impact Development principles including harvesting water on-site to meet 90 percent of each development's landscape irrigation needs.

In addition, the Flood Control District is pursuing securing surface water rights and capturing flows from the Lee Moore Watershed in retention/detention basins within the SELC properties and on upstream adjacent State Lands. This watershed could theoretically produce up to 250 acre-feet of stormwater per year, thereby potentially offsetting aquifer impacts of SELC development. Additionally, SELC County-controlled effluent of at least 200 acre-feet to further offset area groundwater impacts will be available.

The interrelation of water service, effluent ownership and sustainability is further explained in an analysis by Assistant County Administrator Yves Khawam (Attachment 2).

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Recommendation

I recommend that the Board approve the petition to establish the Southeast Employment and Logistics Center Domestic Water Improvement District.

Attachments

c: Jan Leshar, Chief Deputy County Administrator
Carmin DeBonis, Jr., Deputy County Administrator for Public Works
Yves Khawam, PhD, Assistant County Administrator for Public Works
Dr. John Moffatt, Director, Economic Development
Michelle Campagne, Director, Finance Department
Jackson Jenkins, Director, Regional Wastewater Reclamation Department
Nancy Cole, Manager, Project Management Office
Greg Hitt, Program Manager, Project Management Office

ATTACHMENT 1



November 9, 2020

TO: Yves Khawam, PhD,
Assistant County Administrator for Public Works

FROM: Greg Hitt *GH*
Program Manager, Project Management Office

SUBJECT: Southeast Employment & Logistics Center Master Plan Conceptual Water Demand

As you are aware, the Southeast Employment and Logistics Center (SELC) master plan update is underway. Given the natural and other land use constraints that exist in this area, a realistic approach was taken to update the master plan to develop the buildout scenario you see here. Existing developments, and building footprints for similar uses within the region were replicated here. For example, the FedEx ground facility on Westco Pl, the new buildings developed by Harsch Investments on Lisa Frank Ave, the Amazon Fulfillment Center on Kolb Rd, and the Home Goods distribution facility on Alvernon Way, were all used as examples that the Tucson region can expect to replicate in the future. Over the buildout of this development, and through increased economic growth, it's likely that Amazon could construct additional fulfillment centers in the Tucson region. Amazon currently has three large fulfillment centers in the Phoenix area. These examples, and others were utilized to develop building foot prints, and water use projections.

Parking requirements play a large role in determining the amount of land needed to construct buildings that range from 100,000 to 1,000,000 square feet. For warehouse uses, the Pima County Zoning Code requires one space for every 2000 square feet of gross floor area, one space for every two employees and one space for each company vehicle. Without having unique users at this time, it is tough to project how many employees or company vehicles someone might have. A multiplier was utilized to project required parking and loading requirements. Building square footage was multiplied by 2.5 to determine minimum parking and loading requirements. This is in line with the previously mentioned examples. Home Goods, Amazon, and other provide large, paved areas for not only their employees, but for storage and maneuvering of semi-trailers, which commonly range from 48-52 feet in length.

Without having companies waiting to locate within the SELC the number of employees a logistics type of business would need is tough to project. Again, using local examples, small companies operating in spaces ranging from 50,000 – 100,000 square feet typically have up to 15-25 employees, while large users like Home Goods plans to employ 900 workers in their 730,000 square foot facility. Amazon does not reveal their local employment numbers, but a fulfillment center in Kent, Washington is similar in size to their Tucson facility, and per Amazon, employs 3000 people, with a typical seasonal increase of 1000 people.

One additional constraint that applies to a portion of the developable area, is the presence of the approach and departure corridor associated with Davis-Monthan Air Force Base (DMAFB). This overlay has a number of restrictions to help protect DMAFB from encroachment from incompatible land uses. While this update did not consider specific use restrictions, more general building density and employee density was considered when laying out the buildings within this corridor. For industrial uses that include storage and warehouse uses, the following restrictions apply in the corridor:

- Maximum floor area ratio of 0.40,
- Minimum project site area of 5 acres,
- Maximum building height of 62 feet,
- Fewer than 20 employees per acre.

Starting at the north, and working south, the master plan is divided into 17 blocks. Each block would then be developed in smaller parcels, with various building sizes and configurations. The table below highlights the available acreage in each block:

Block	Acreage	Building Square Footage	Est Water Use Gallons per Day*
1	40	325,000	9286
2	18	300,000	8571
3	43	250,000	7142
4	33	500,000	14,286
5	136	600,000	17,142
6	144	1,150,000	32,857
7	32	80,000	2285
8	91	900,000	25,714
9	112	700,000	20,000
10	104	450,000	12,857
11	52	250,000	7142
12	24	200,000	5714
13	85	850,000	24,285
14	44	300,000	8571
15	29	75,000	2142
16	121	1,000,000	28,571
17	58	500,000	14,285
	Total Acres:	Total Square Footage:	Total Water Use:
	1166	8,430,000	240,850 gallons per day

*based on one gallon per 35 square feet of building space

Approximately 270 acre feet of water per year can be anticipated to be utilized at full build out.

The previous effort to masterplan this area from 2017 had 21,500,000 square feet of buildings and uses. With flood control constraints, and existing development patterns used as a basis for the current masterplan, the current masterplan reduced the building foot print by 60%. The current plan has a building square foot to developable acre density of almost 7230 square feet of building per acre.

The masterplan includes the extension of several existing roads, and creating a few new roads to facilitate the movement of vehicles through the area, while providing nearly every building some level of street frontage.

Water use projections are estimated to be low, considering the primary focus of warehouse and logistics centers uses. These uses generally require low water use, whether calculated by gallon per square foot, or gallon per employee. The table below highlights existing facilities within the region, with their building square footage, and water use. The water use shown below was an average total from November 2019, to October 2020, so this number captures typical lower water use during the winter months, and higher use rates in the warm summer months.

Building size/ water use			
Square feet	Name	Address	Water use in gpd
855,000	Amazon Warehouse	6701-S. Kolb	24,000
730,000	Home Goods Distribution	7000 S. Alvernon	10,000
300,000	Sam Levitz warehouse & sales	3430 E. 36th	500
277,000	Lisa Frank	6760 S. Lisa Frank	320
200,000	FedEx Ground	7050 S. Palo verde	450
150,000	Solar Industries	6151 S. Tucson Blvd.	2,000
110,000	Hexagon Mining	2650 E. Elvira	12,000
81,000	Ralph's Transfer	4051 S. Longfellow	200
25,000	Old Dominion Freight Line	3375 E. Corona	20

As you can see, water use when calculated on building square footage is low, in some instances, a fraction of a gallon per square foot for these facilities. When calculated on the potential number of employees based in these buildings, the gallons per employee typically falls into the 8 – 11 gallons per employee, per day range. Consequently, Tucson Water estimates that a family of three uses 112 gallons per residence, per day on an annual average. The table below compares known distribution warehouse uses, with a typical single family home served by Tucson Water.

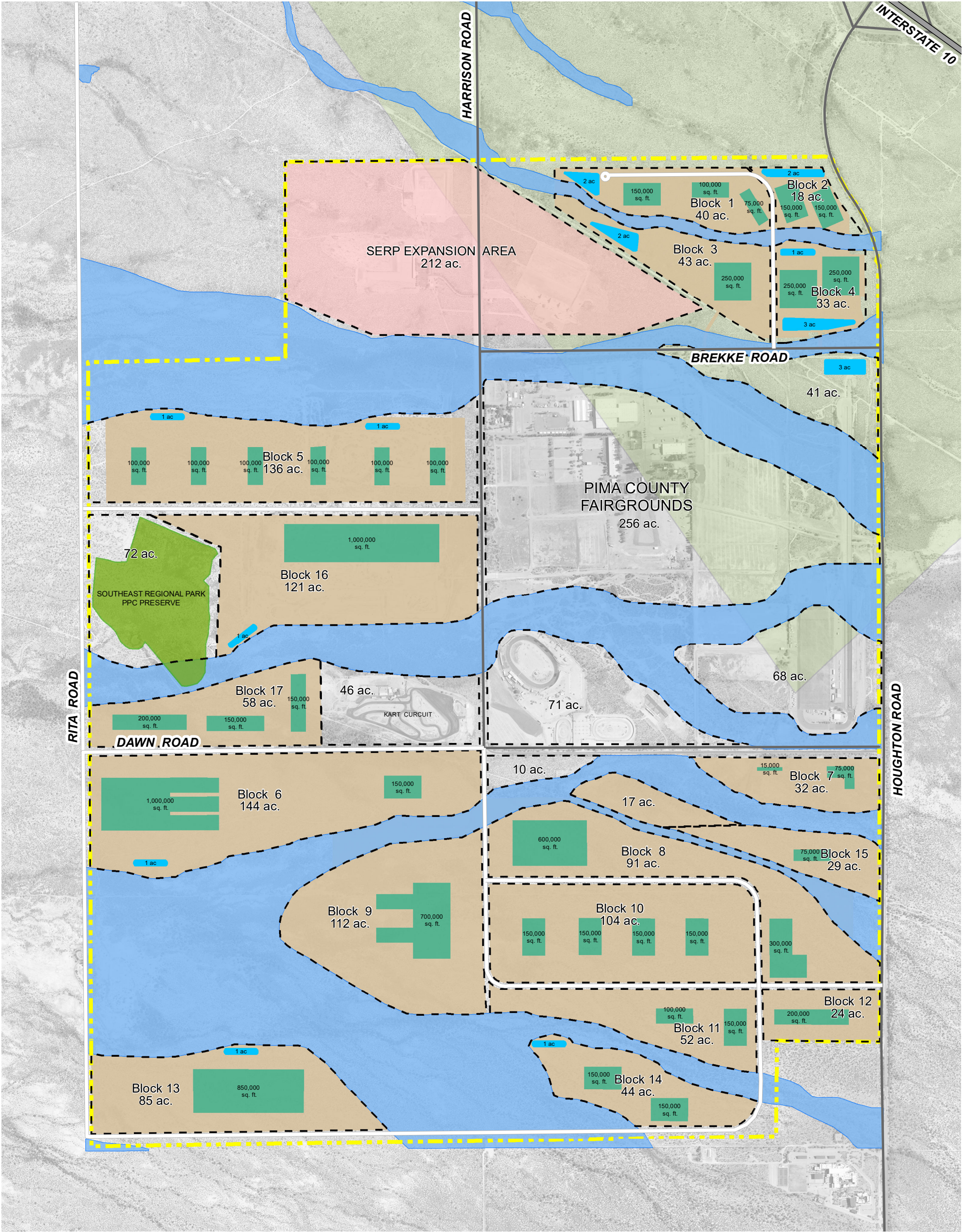
Use	Gallons per Acre	Employees or Population
Amazon Fulfillment (79.5 acres)	301.88	3000 (est.)
Home Goods Distribution Center (109 acres)	91.74	900
Single Family Residence (4.0 units per acre)	448	12

Additionally, a newly developed 49 acre subdivision, with 165 homes has a residence per acre (RAC) calculation of 3.3 residences per acre. Based on Tucson Water's estimate of a typical single family home using 112 gallons per day, this typical subdivision would expect to use 18,480 gallons per day for the 49 acre subdivision. If you were to further break this down, and assume an average home size within this subdivision of 2000 square feet, the total building square footage for the entire subdivision would only be 330,000 square feet This is a drastically higher water use than what the Home Good Distribution Center consumes on their 109 acre site, with a 730,000 square foot building.

As you can see, when compared to typical residential uses, the planned development and build out of the SELC will utilize a relatively minimal amount of water when compared to a typical new home subdivision that is constructed throughout the region.

Attachment

c: Carmine DeBonis, Jr., Deputy County Administrator for Public Works
Nancy Cole, Manager, Project Management Office



Future Roads	Blocks	SERP Expansion Area	Parking Lot
Existing Roads	Project Boundary	Preserve Area	DMAFB Approach Zone
Proposed Buildings	Detention/Retention Basins	Flow Corridor	

Fairgrounds/Southeast Employment and Logistics Center (SELC)



ATTACHMENT 2



MEMORANDUM

Date: October 12, 2020

To: C.H. Huckelberry
County Administrator

From: Yves Khawam 
Assistant County Administrator
for Public Works

Re: **Issues Associated with Tucson Water Service Restrictions and Effluent Ownership on projects such as the Southeast Employment and Logistics Center**

Purpose

The purpose of this memorandum is to evaluate equity associated with the City of Tucson regional water service restrictions, effluent allocations and the impact these have on development. The concern stems from current water service area policy restrictions and additional water fees considered by the City of Tucson for new annexation commitments outside City limits, thereby affecting unincorporated Pima County properties including the Southeast Employment and Logistics Center (SELC) project. These actions will be evaluated through the lens of representations made and concessions granted by the greater metropolitan region from the period when the dissolution of the Metropolitan Utilities Management Agency (MUM) resulted in the City-County Sewer Intergovernmental Agreement of 1979¹ (the "1979 IGA"), to the present.

Pima County-City of Tucson Agreements

Management of County and City sewers proved highly problematic under MUM, due to enactment of new regulations and equitable cost sharing and ownership of the metropolitan facilities exacerbated by changing City limits associated with annexations. This context generated a multi-year comprehensive analysis culminating in a June 9, 1978 report to the City of Tucson Mayor and Council and the Pima County Board of Supervisors recommending that the metropolitan sanitary system be consolidated under County management². The selection of County over City was favored due in part to the broader tax base of the County providing greater financial flexibility and strength for the long-range capital needs of the sewer system. This was substantiated by a November 1977 special election in which qualified electors of the City voted in favor of authorizing the City to transfer its sanitary system to the County.

Recommendations in the report germane to this memorandum's purpose include:

- ❖ Effluent within the area tributary to Roger, Ina and Randolph plants to be owned by City

¹ Pima County Board of Supervisors Resolution 1979-78

² Report Subject: *Sewer Intergovernmental Agreement 78-79*. Marvin S. Cohen, Citizens for Regional Water Quality and Sanitation. June 9, 1978.

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- ❖ County to retain 10 percent of effluent for its own use from the metropolitan treatment facilities
- ❖ The County will not receive payment for the value of City effluent
- ❖ There shall be no sewer fee differential based upon City and County residence
- ❖ There shall be no connection fee differential based upon City or County residence

It is noteworthy that the 1979 IGA negotiation happened at a time of crisis when the U.S. Environmental Protection Agency (EPA) was demanding that the County and City establish a single coordinated regional wastewater system to serve the area in exchange for tens of millions of dollars in federal grants to finance an expanded and upgraded wastewater treatment system needed to comply with the then recently enacted 1972 Clean Water Act. Compounding this context was the City attempting to settle the water rights claims of the Tohono O'odham Nation, which threatened the continued ability of Tucson to operate a water utility.

In 1978, the City of Tucson was the sole large water provider generating flows into the public sanitary system tributary to the metropolitan treatment facilities³. It was therefore reasonable that the recommendations provided City ownership over the effluent produced from these facilities in addition to allowing the County to retain 10 percent for its use. These recommendations were memorialized in the 1979 IGA.

However, many of the assumptions leading to this allocation distribution have not materialized. For example, the drafters of the 1979 IGA assumed that Central Arizona Project (CAP) water would be treated and wheeled by the City of Tucson to all water providers. This did not occur.

Effluent control and ownership was also unknown at the time and so it was assumed, as highlighted above that the entity owning the potable water also owned the effluent. This was, however, not the case as was clarified by *Arizona Public Service Co. v. Long*, 1989, where it was held that the utility treating the wastewater controlled the resulting effluent.

In June 1995, the County decommissioned the Randolph Wastewater Reclamation Facility (WRF), which led to litigation with the City based on the terms and obligations of the 1979 IGA. To settle the litigation, the parties entered into a clarifying agreement in 2000 entitled "City of Tucson-Pima County Supplemental Intergovernmental Agreement Related to Effluent"⁴ (the "Supplemental IGA"). Of note to the present discussion is that the Supplemental IGA modified the City/County split of effluent derived from metropolitan facilities to 90/10 percent *after* deductions for SAWRSA⁵ and CEP⁶ obligations. The City separately allocates effluent to other regional major water providers from its 90 percent portion. However, the Supplemental IGA did not address methodology change regarding effluent allocation or ownership.

³ Flowing Wells Irrigation District, University of Arizona and Davis-Monthan Air Force Base contributed a combined minute share of flows.

⁴ Pima County Board of Supervisors Resolution 2000-28

⁵ Southern Arizona Water Rights Settlement Act. Federal Law settling litigation between various Tribal interests and Arizona water users regarding over-pumping of aquifers. Requires City to provide 28,200 AF/year of effluent to the Department of the Interior for firming up Indian water rights. See §3.12 of the Supplemental IGA.

⁶ Conservation Effluent Pool. Set-aside of up to 10,000 AF of effluent per year for riparian projects per §5 of the Supplemental IGA.

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Central Arizona Water Conservation District (CAWCD)

Due to the drawdown of the Tucson region aquifer and the need for renewable resources, the Pima County Board of Supervisors adopted a resolution in 1967 urging Congress to enact legislation for the construction of the CAP.

Per Arizona Revised Statutes Title 48, Chapter 22 governing multi-county water conservation districts, Pima County could only join the CAWCD by submitting a petition "...signed by either the chairman of the board of supervisors of a county, pursuant to resolution adopted by the board of supervisors, or by a number of qualified electors of the county equal to at least one percent of the votes cast for governor in such county at the last preceding general election."

Joining the CAWCD required committing to service debt associated with construction of the CAP and so there was much public discussion on this topic, as recorded in the minutes of the May 4, 1971 Pima County Board of Supervisors Meeting. This discussion culminated in February 13, 1975 with the adoption of Resolution 1975-20 on a vote of four to one with the Chairman voting against since he wished the item to be considered by County-wide referendum.

Of note is that throughout the process leading to joining CAWCD, the discussion did not mention domestic water recipients as it was generally assumed that the City of Tucson was the regional water provider and that it would continue to perform in that capacity into the future. Indeed, Tucson Water service extended beyond City limits from Catalina, south to Diamond Bell Ranch and Corona de Tucson.

The City of Tucson is still the largest CAWCD beneficiary in Pima County⁷ even though capital cost funding construction of the CAP is borne by all Pima County property owners. Property owners throughout the County and including those in areas outside the Tucson Active Management Area (AMA) are assessed annual Ad Valorem Secondary and Water Storage Secondary tax levies based on rates set by CAWCD to service the 50-year debt held by the U.S. Department of the Interior. Thus the City of Tucson water users, as well as other entities drawing CAP allocations, are subsidized by some County residents not directly benefiting from these allocations.

In addition to paying these two tax levies, County residents on smaller private water systems supplied through wells impacting the aquifer within the Tucson AMA, pay an additional CAWCD tax to the Ground Water Replenishment District based on water consumed, thereby creating a further disparity with Tucson Water users.

Value of Effluent Produced by the Metropolitan Facilities

The 1979 IGA was the product of large federal investments in wastewater treatment without thought that these funding sources would end. The reality was very different. Following the

⁷ 2019 CAP allocations reflect 144,191 AF to Tucson Water compared to 38,607 AF to all other entities combined.

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EPA initial investments, the County absorbed the entire responsibility and cost of complying with federal water quality standards. These escalating costs should be considered as part of the ownership of effluent discussion since the generation of effluent is costing the County approximately \$3,265/AF⁸ in FY 2021, compared to \$211/AF for CAP water as reflected in the CAP 2020-2024 Rate Schedule.

Additional effluent value comes from the quality of water produced at the metropolitan facilities through process upgrades in 2014, now generating Class A+ reclaimed water. Per Arizona Department of Environmental Quality standards, this reclaimed water can be used to generate potable water, following the successful demonstration study conducted by the Pima County Regional Wastewater Reclamation Department (RWRD).

City of Tucson Water Service Policy

The 1979 IGA, Article III assigned effluent ownership on the basis that the City of Tucson was the only significant water provider in the metropolitan area, so that the City may "...maintain management of the total water resources of the Santa Cruz and adjacent water basins." However, this is no longer the case. While the City of Tucson in 2010⁹ adopted water service policies in an attempt to control growth for long-term water sustainability, the reality of controlling growth is very different since only limited regulation precludes numerous small developments from drawing down the aquifer within the Tucson AMA outside the Tucson Water service area.

Since Tucson Water is the only provider currently delivering CAP water via recharge and recovery infrastructure, it is logical to infer that un-nuanced refusal to serve outside obligated areas exacerbates water sustainability, as other domestic water service options do not contain access to a renewable source. In addition and due to limited distribution infrastructure, water providers other than Tucson Water contribute to a hydrological disconnect between where water is being pumped and where it is replenished¹⁰. These issues have been discussed and captured by the City/County Water and Wastewater Study Oversight Committee¹¹.

Since adoption of water service policies, the City of Tucson has denied over 283 water service requests with many more requests not formally submitted due to the fact that no exemptions to the policy have been granted. A recent example includes the SELC economic catalyst project located on Pima County lands in the Fairgrounds area. Even though these lands constitute an island surrounded by Tucson Water obligated service areas, Tucson Water existing policy precludes service. This has forced Pima County to consider creation of a Domestic Water

⁸ FY 2021 RWRD budget: \$209 million of expenditures to generate 64,000 AF of effluent.

⁹ City of Tucson Resolution 21602, August 4, 2010; refined July 9, 2013 via Resolution 22080; amended September 10, 2013 via Ordinance 11106 creating the Water Service Review Board and additional criteria.

¹⁰ With the exception of water providers such as Vail Water Company, that have wheeling agreements with Tucson Water to supply their water, offset by their CAP allocation being used at the Southern Avra Valley Storage and Recovery Project.

¹¹ *Technical Paper on Integrating Land Use Planning with Water Resources and Infrastructure*. City/County Water and Wastewater Study Oversight Committee. July 8, 2009.

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Improvement District (DWID) to serve this area, using existing water rights and recovery wells drawing from effluent recharge credits.

The County is exploring constructing regional detention/retention facilities in the SELC area to capture watershed flows to offset aquifer impacts related to DWID groundwater pumping through recharge or beneficial reuse. However, a Tucson Water service alternative could mitigate creating a hydrological disconnect from renewable sources (CAP) and effluent recharge areas due to Tucson Water sustainability efforts to interconnect their distribution system. While the Tucson Water distribution system at the south boundary of the SELC properties connects only to the isolated Corona de Tucson system, a connection to the main well fields system, hydrologically connected to the Tucson Water recharge facilities, is available just north of Interstate 10 along the Houghton and Harrison Road alignments.

Summary and Recommendation

Precipitated by the additional effort and costs associated with securing water for the SELC economic catalyst project as well as resolving longstanding inequities between City of Tucson, Pima County Government and some Pima County taxpayers located outside the Tucson Water service area, the following is offered.

Whereas:

- ❖ The 1979 IGA reflected effluent ownership from the metropolitan facilities based on the City of Tucson being the only major water provider;
- ❖ The County generates water at \$3,265/AF, provided at no cost to Tucson Water;
- ❖ Pima County investment has resulted in higher quality reclaimed water (A +) than was provided in 1979, thereby providing additional value;
- ❖ Case Law finds that the utility treating the wastewater controls the resulting effluent;
- ❖ The County Board of Supervisors entered into an agreement with CAWCD in 1976 thereby disproportionately subsidizing renewable water for Tucson Water users;
- ❖ The City of Tucson no longer manages the total water resources of the Santa Cruz River and adjacent water basins;
- ❖ The 1979 IGA made no representation as to City of Tucson limiting its service area;
- ❖ The City of Tucson has restricted its service area;
- ❖ The City of Tucson is considering additional fees for Tucson Water users residing outside City limits; and
- ❖ The City of Tucson is the only regional water utility with recharge and recovery infrastructure requisite for aquifer hydrological continuity.

Recommend that we request City of Tucson to expand water service policy to properties outside the obligated service area:

- ❖ To which infrastructure can reasonably be extended based on regulatory context and principles of sustainability;
- ❖ That contribute to the general sustainability of the region and that cannot otherwise connect to a sustainable water supply; and

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- ❖ To avoid differential rates outside and within the City since properties in unincorporated Pima County pay a significant portion of the total City sales tax¹² and equivalent or more CAWCD taxes.

Criteria for consideration could include economic, social and environmental impacts. The SELC fits into this category as it is the only regional location with parcels of sufficient size to attract large industrial and logistics users, thereby generating quality jobs that could not otherwise be secured within the region.

In order to not impede progress on the SELC project, the County should proceed with formation of a DWID to serve the SELC and Pima County Fairgrounds concurrent with the City conversation, since this action does not preclude a future transfer of the DWID to a municipality or utility¹³. In addition, the Regional Flood Control District should continue to pursue new policy development for urban stormwater reuse and groundwater recharge per your October 8, 2020 memorandum on this topic. Should the City of Tucson not wish to expand water service policy as described, recommend that Pima County additionally consider strengthening the DWID long-term sustainability through:

- ❖ Initiating action to take control of the effluent generated from its facilities that are not legislatively or federally allocated;
- ❖ Expanding the DWID to serve developments outside Tucson Water service area that align with the economic, social and environmental best interest of the region;
- ❖ Constructing water distribution infrastructure to serve qualifying development and to mitigate hydrological disconnects associated with the DWID;
- ❖ Entering into contracts to sell water to providers; and
- ❖ Expanding groundwater recharge opportunities.

Finally, the question regarding effluent control should be resolved independent of policy changes. Clearly, the conditions and assumptions leading to the initial no-cost assignment of effluent to the City are no longer valid. Additionally and based on effluent ownership case law, the continued gifting of this commodity to the City could be construed as a violation of law.

c: Jan Leshar, Chief Deputy County Administrator
Carmine DeBonis, Jr., Deputy County Administrator for Public Works
Jackson Jenkins, Director, Regional Wastewater Reclamation Department
Suzanne Shields, Director, Regional Flood Control District
Kathy Chavez, Water Policy Manager

¹² 2011 data based on UA study determined that unincorporated residents paid approximately 37 percent of the City of Tucson sales tax. Based on population ratio between City and unincorporated residents, it means unincorporated residents pay almost as much City sales tax as Tucson residents per capita.

¹³ Transferring or selling a DWID to another entity upon restructuring of debt is consistent with A.R.S §48-959.