

unofficial

MINUTES OF THE SPECIAL MEETING/MICRO RETREAT OF THE HONORABLE MAYOR AND CITY COUNCIL OF THE CITY OF CHANDLER, ARIZONA, held in the Council Chambers Council Conference Room, 88 E. Chicago Street, on Monday, April 27, 2015.

THE MEETING WAS CALLED TO ORDER BY MAYOR TIBSHRAENY AT 5:00 p.m.

The following members were present:	Jay Tibshraeny	Mayor
	Kevin Hartke	Vice-Mayor
	Rick Heumann	Councilmember
	Nora Ellen	Councilmember
	Rene Lopez	Councilmember
	Jack Sellers	Councilmember
	Terry Roe	Councilmember

Also in attendance:	Rich Dlugas	City Manager
	Marsha Reed	Assistant City Manager
	Nachie Marquez	Assistant City Manager
	Kay Bigelow	City Attorney
	Marla Paddock	City Clerk

1. Proposed Water Allocation Policy

City Manager Rich Dlugas introduced Dave Siegel, Municipal Utilities Director; Doug Toy, Water Regulatory Affairs Manager; and Greg Capps, Water Resource Manager; to present the briefing on the Water Allocation Policy.

Mr. Toy described the current policy as an informal policy by which they manage large volume users. There is also an informal policy on “quality of life” water which was formally known as “economic development water”.

Mr. Toy stated staff has been tracking the top 25 water users for a number of years. DLR2121 (data center) is the 7th highest water user. Cyrus 1 (data center) will be the 3rd largest user behind Intel and Freescale. In response to a question from Councilmember Ellen, Mr. Toy said .5 mgd is city water and there is 50,000 mgd of OMG (Ocotillo Management Group) that is delivered to the Continuum site of which they are a part of.

Mr. Toy said in September 2013, the Council had a micro retreat and discussed the desire to have a water allocation policy. In November 2014, a briefing was made to the Municipal Utilities and Transportation & Development Subcommittee regarding the development of a policy. Outreach involving nine meetings with commercial, industrial, multi-family, data center developers, and existing large industrial users occurred. Meetings also occurred separately with stakeholders such as Intel, Basha’s, Snell & Wilmer, Grady Gammage, Valley Partnership, and Southwest Value Partners. Discussions also took place among staff from various city departments.

Mr. Toy displayed a slide depicting a graph of the Top 25 water users that have been tracked since the 1990's. In 2008, there weren't any data centers in the Top 25. The graph depicted the introduction of the data centers in 2009 into the Top 25 Water users. As of last year, there were three data centers in the top 25. Mr. Toy noted this data is from May 2014 when Cyrus One was just coming on line. The use would be considerably higher now.

Mr. Toy explained how the "Quality of Life" water is derived. He explained the Build Out Total Supply of water is 87.7 million gallons a day (mgd); of that 70 mgd is committed (Intel, etc.). The future demands are estimated at 15 mgd. The remaining 2.7 mgd comprises the Quality of Life Water. In order to preserve the quality of life water, future water uses must be managed.

Mr. Toy explained the new policy excludes existing meters and all residential meters (single family residential and multifamily). He noted the reason being is that residential usage has been dropping. There has been a 16% reduction in residential use per home from the years of 1996-2012. There are also other programs to manage residential use through the water conservation office. Mr. Toy said the new policy manages the new large volume users coming on line, multiple water meters on one parcel, and new users greater than Tier 1 water use rates.

Mr. Toy displayed a graph showing multi-family to single family residential comparisons and noted the multifamily use, per dwelling unit, uses less than single family residential. Multi-family per acre usage is higher than single family. The multi-family complexes send relatively more water back into the wastewater system for use as reclaimed water than the single family.

Mr. Toy reviewed the comparison data between Intel (Chandler Blvd), Freescale, and Cyrus One. He noted Cyrus One was still in startup and staff has estimated 12,000 – 23,000 gallons per day, per employee. Intel (Chandler Blvd) is about 150 and Freescale is around 617. Intel (Ocotillo) is estimated about the same as Freescale's range. He noted Intel (Chandler Blvd) is part research & development (R&D) and part manufacturing. Freescale and Intel (Ocotillo) is manufacturing. He emphasized the magnitude in the difference in numbers in the gallons per day / per employee. Mayor Tibshraeny emphasized the data centers use a lot of water with low employment. Councilmember Heumann noted the efforts by Intel to reuse water. Mr. Siegel complimented the current relationship with Intel and the information sharing that occurs.

Councilmember Sellers asked how an existing user would be affected by this policy. Mr. Toy responded that existing users are excluded from the new policy.

Vice Mayor Hartke confirmed this policy would discourage high water/low employee usage.

Mr. Toy explained there are only a handful of new water users that use a lot of water. This targets less than 1% of new water users. This policy aligns city water and land use planning. It reserves water for the last building to be built. There has been some water set aside for residential densification and quality of life opportunities. He noted this policy also protects the existing users.

In response to questions, Ms. Bigelow said if an existing user changes the water use then the new policy could impact them.

Mr. Toy said staff believes there is less than a 1% chance that a mandatory reduction would ever be needed. Mr. Toy said there is a drought plan with 4 stages. He said Chandler is more advanced than other cities in this area.

Mr. Toy explained the mechanics of the proposed allocation policy. Tier 1 is the base allocation and provides sufficient water for most projects. Tier 2 is the water that is needed for demands above Tier 1. The quantity is limited and is allocated based on the Water Resource Management Strategy that identifies the criteria (producing more jobs, revitalizing neighborhoods or downtown areas) for allocating Tier 2 water.

Councilmember Heumann asked if this would be incorporated as part of the General Plan. Mr. Kurtz replied it will.

Mr. Toy said finally the Tier 3 water is available for purchase at market rates and the city would facilitate the purchase with the expense paid for by the company.

Mr. Toy reviewed the graph for the proposed Tier 1 Water Use Rates.

Ms. Bigelow noted that zoning uses will have a stipulation that states there will only be Tier 1 water users available no matter what the PAD guide says. They can't get Tier 2 or Tier 3 unless specifically granted through an agreement.

In discussions regarding the purchase of Tier 3 water, Ms. Bigelow stated the city would not purchase water unless a substantial deposit was made. The user would not get the allocation until it's paid for.

Councilmember Sellers questioned the 356.5 gallons per day per guest room / Hotel use number. Mr. Toy said this number was retrieved from a City of Phoenix study. Mr. Capps said this also includes the landscape water. A few hotels in the city were looked at and while they were lower, the number was not substantially lower. Councilmember Heumann noted the laundry and restaurant uses that are also included in these numbers for hotels.

Mr. Toy recapped and stated staff would like Council to adopt the ordinance accepting the Tier 1 water use rates and allow a periodic review. Establish Tier 2 allocation objectives by accepting the 2015 Water Resource Management Strategy and will allow periodic updates.

Councilmember Lopez asked if we kept with current assumptions for build-out, if we would have enough water to grow to build-out. Mr. Siegel said yes. Councilmember Lopez asked about the use of non-potable water for Cyrus. Mr. Siegel the entire Continuum site is limited to 50,000 gallons of reclaimed water. The development agreement reads the city reclaimed is not allowed in without changing the agreement.

Discussion regarding the use of cooling towers by data centers. Mr. Siegel noted the cooling towers pose another challenge of salt. While cooling towers take half the water out, 100% of salt remains.

Adjournment: The Mayor adjourned the meeting at p.m.

ATTEST:

City Clerk

Mayor

Approval Date of Minutes: May 14, 2015

CERTIFICATION

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Special Meeting (Micro retreat) of the City Council of Chandler, Arizona held on April 30, 2015. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this _____ day of May 2015

City Clerk