



**MARANA TOWN COUNCIL
STUDY SESSION
NOTICE AND AGENDA
11555 W. Civic Center Drive, Marana, Arizona 85653
Council Chambers, October 13, 2020, at or after 6:00 PM**

**Ed Honea, Mayor
Jon Post, Vice Mayor
David Bowen, Council Member
Patti Comerford, Council Member
Herb Kai, Council Member
John Officer, Council Member
Roxanne Ziegler, Council Member**

Pursuant to A.R.S. §38-431.02, notice is hereby given to the members of the Marana Town Council and to the general public that the Town Council will hold a meeting open to the public on October 13, 2020, at or after 6:00 PM located in the Council Chambers of the Marana Municipal Complex, 11555 W. Civic Center Drive, Marana, Arizona.

ACTION MAY BE TAKEN BY THE COUNCIL ON ANY ITEM LISTED ON THIS AGENDA. Revisions to the agenda can occur up to 24 hours prior to the meeting. Revised agenda items appear in *italics*.

The Council Chambers are wheelchair and handicapped accessible. Persons with a disability may request a reasonable accommodation, such as a sign language interpreter, by contacting the Town Clerk at (520) 382-1999. Requests should be made as early as possible to arrange the accommodation.

This Notice and Agenda posted no later than 24 hours prior to the meeting at the Marana Municipal Complex, 11555 W. Civic Center Drive, the Marana Operations Center, 5100 W. Ina Road, and at www.maranaaz.gov under Agendas and Minutes.

Due to concerns related to the COVID-19 pandemic, meetings may be viewed online by clicking the below link: <http://maranaaz.swagit.com/live>

As an alternative to appearing in person, citizens may speak during the Call to the Public or Public Hearings or when called upon by Council by using Zoom. Please click the link below to participate in the Council meeting (refer to the instructions below for how to participate):

**<https://us02web.zoom.us/j/83295678409?pwd=UU9TTkEzdnFHbFJuUC8zUk5GYTNzdz09>
Passcode: 536715**

For instructions on participating virtually in the Town Council Meeting click here: <https://www.maranaaz.gov/virtual-meetings>

Please note that by participating virtually, you will not be able to watch video of the Council meeting, you will only be able to hear the meeting and to speak if you are called upon.

CALL TO ORDER AND ROLL CALL

PLEDGE OF ALLEGIANCE/INVOCATION/MOMENT OF SILENCE

APPROVAL OF AGENDA

DISCUSSION/DIRECTION/POSSIBLE ACTION

- D1 Relating to Budget; presentation, discussion and possible direction regarding consideration of funding sources for the construction, acquisition, maintenance, and financing of critical infrastructure for the continued growth of the Town and safety of its residents (Yiannis Kalaitzidis)
- D2 Relating to Utilities; discussion and direction on water wheeling and recovering the cost of future water infrastructure or the excess wheeled water cost (Frank Cassidy)
- D3 Relating to Economic Development; update, discussion, and direction regarding possible establishment of a local small business assistance program to assist businesses located within the Town of Marana impacted by the COVID-19 pandemic (Heath Vescovi-Chiordi)

EXECUTIVE SESSIONS

Pursuant to A.R.S. § 38-431.03, the Town Council may vote to go into executive session, which will not be open to the public, to discuss certain matters.

- E1 Executive Session pursuant to A.R.S. §38-431.03 (A), Council may ask for discussion or consideration, or consultation with designated Town representatives, or consultation for legal advice with the Town Attorney, concerning any matter listed on this agenda for any of the reasons listed in A.R.S. §38-431.03 (A).
- E2 Executive Session pursuant to A.R.S. § 38-431.03(A)(4) for discussion with the Town's attorneys in order to consider the Town's position and instruct its attorneys regarding the terms of a proposed development agreement with Meritage Homes Arizona, Inc. pertaining to public infrastructure funding for the Rancho Marana 154 project.

FUTURE AGENDA ITEMS

Notwithstanding the Mayor's discretion regarding the items to be placed on the agenda, if three or more Council members request that an item be placed on the agenda, it must be placed on the agenda for the second regular Town Council meeting after the date of the request, pursuant to Marana Town Code Section 2-4-2(B).

ADJOURNMENT



Council-Study Session

D1

Meeting Date: 10/13/2020

To: Mayor and Council

From: Yiannis Kalaitzidis, Finance Director

Date: October 13, 2020

Strategic Plan Focus Area:

Not Applicable

Subject: Relating to Budget; presentation, discussion and possible direction regarding consideration of funding sources for the construction, acquisition, maintenance, and financing of critical infrastructure for the continued growth of the Town and safety of its residents (Yiannis Kalaitzidis)

Discussion:

The Town of Marana continues to be one of the fastest growing communities in Arizona. We continue to see significant interest from residential and commercial developers for both simple and complex infrastructure projects.

This growth has resulted in a number of obligations - some of which were unforeseen. Those obligations are now ready to become reality over the next few years.

Staff presented information on funding needs and addressed Council questions for certain major infrastructure projects in September and November of last year.

Infrastructure projects discussed last year included:

- Water quality projects
- Water conveyance system redundancy and reliability projects
- Storm drainage management projects, and
- Transportation projects

These projects constantly compete for the limited resources the Town has available for infrastructure projects.

Furthermore, as more new infrastructure assets are regularly added to the Town, there

is a greater need for funding to maintain those assets, which in turn draws money away from the construction of new infrastructure, or forces the Town to defer maintenance of existing assets that can lead to deteriorating infrastructure. At times, such deterioration or other unanticipated environmental factors may also affect the health and safety of our residents.

The Town has specifically identified resources, including the General Fund, Highway User Revenue Funds, construction sales tax dedicated for transportation, development impact fees, and utility rate charges for the funding of projects. Also, many projects may have sources of revenues that will ultimately pay for some or all of the cost of the project. However, those fees are not predictable, constant, or available when the projects are due to be constructed.

While so far we have managed to pay for projects through the funding mentioned above, we are beginning to see a funding gap as we review the number of projects on our list and compare it to our projected funding.

Staff will bring forward projects and concepts from previous presentation and include funding scenario examples. Staff would like to obtain Council direction to move forward with a program that suggests the criteria and ways to raise additional funds that may bridge the funding gap we have identified and will help the Town continue to grow in the decades to come while also providing desired services and improvements to our current and future residents.

Staff Recommendation:

Council's pleasure.

Suggested Motion:

Council's pleasure.

Attachments

No file(s) attached.



Council-Study Session

D2

Meeting Date: 10/13/2020

To: Mayor and Council

From: Frank Cassidy, Town Attorney

Date: October 13, 2020

Strategic Plan Focus Area:

Not Applicable

Subject: Relating to Utilities; discussion and direction on water wheeling and recovering the cost of future water infrastructure or the excess wheeled water cost (Frank Cassidy)

Discussion:

The Town Council adopted Marana Resolution No. 2020-087 on August 18, approving the IGA with the City of Tucson relating to the delivery of Central Arizona Project Water. Copies of the resolution and IGA are included in the backup materials.

The IGA is commonly referred to as the "Wheeling IGA" -- it allows Marana Water to serve areas by wheeling the Town's CAP water through Tucson Water's potable water system to points of interconnection within the Town limits. Under the Wheeling IGA, Marana Water owns and operates the potable water infrastructure from the Tucson Water points of interconnection to the individual homes, businesses, or other water customer meter locations.

The Wheeling IGA was created as a tool to allow Marana Water to provide potable water service to developable properties located within Town limits that are too far away from existing Marana Water facilities to receive cost-effective service from Marana Water and are close enough to be served by water lines owned and operated by Tucson Water but do not meet Tucson Water's water service policy.

The cost of water delivered to customers through the Wheeling IGA is about 50% higher than Marana Water's normal commodity rate.

Now that the Wheeling IGA is in place, Town staff requests policy feedback on when

and under what conditions to use it. Developers will want to use it for all development projects located in areas easily served by a connection to Tucson Water. But Town staff suggests implementation of two basic policy limitations:

1. For development projects located where Marana Water plans to extend its water infrastructure, Town staff recommends that wheeling be used only when the developer's cost to extend Marana's water infrastructure would make the development project not financially feasible. And even then, Town staff recommends that wheeling only be used temporarily -- until the Town's infrastructure reaches the development -- and that the developer be required to advance the development's fair share cost to extend the Town's water lines. Until the Town's water lines reach the development, customers in the development will be required to pay the higher wheeled water rates.
2. For development projects located where Marana Water does not plan to extend its water infrastructure, Town staff recommends that the developer be required to pay Marana Water funding sufficient to cover the higher cost of wheeled water, to allow the Town to charge customers in the permanent wheeling area the same water rates as other customers.

Staff Recommendation:

Staff requests authorization to establish wheeling policies consistent with the recommendations presented in this agenda item.

Suggested Motion:

Council's pleasure.

Attachments

Wheeling policy presentation
Wheeling IGA and reso



Water Wheeling Policy Discussion & Direction

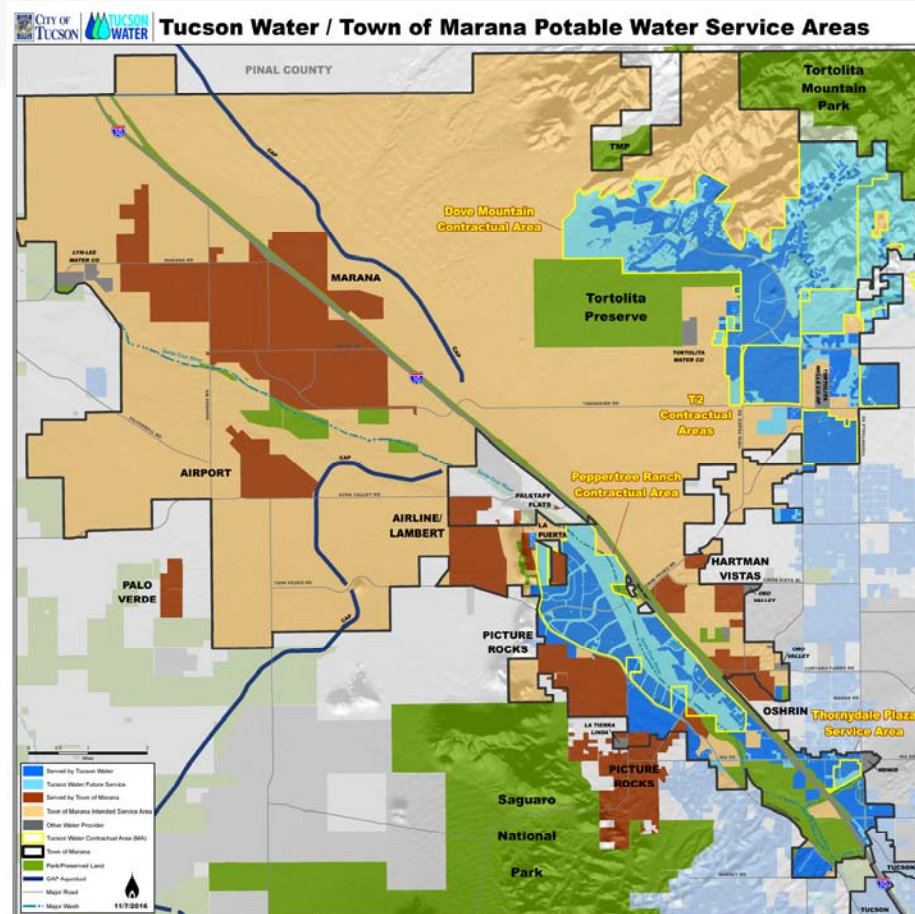
October 13, 2020



Wheeling IGA = allows MW to serve areas that can be more easily reached with TW pipes

- Yellow borders/cross-hatch = contracted TW areas
- Dark brown = MW service area
- Dark blue = served by TW
- Light blue = future TW service area

Current Water Service in Marana





Wheeling IGA

- Approved August 18 by Resolution No. 2020-087
- The Town's CAP water is wheeled through TW's potable water system to points of interconnection within the Town limits
- A tool to allow MW to provide potable water service to properties
 - located within Town limits
 - too far away from existing MW facilities to receive cost-effective service from MW
 - close enough to be served by water lines owned and operated by TW
 - but do not meet TW's water service policy



Wheeling IGA

- The cost of water delivered to customers through the Wheeling IGA is Marana Water's normal commodity rate PLUS about 50%
- Developers will want to use it for all development projects located in areas easily served by a connection to Tucson Water
 - Minimal water line extension costs
 - The financial burden of the higher wheeled water cost is borne by home buyers and businesses, not the developer
- *Town staff suggests implementation of two wheeling policies:*
 - “Temporary Wheeling” Policy
 - “Permanent Wheeling” Policy



Wheeling Policy

“Temporary Wheeling” Policy: For development projects located where MW plans to extend its water infrastructure

- Allow wheeling only when the developer's cost to extend MW infrastructure would make the development project not financially feasible
- Even then:
 - Use wheeling temporarily -- until a MW main reaches the development
 - Require the developer, up front as a condition of service, to advance the development's fair share cost to extend the Town's water lines
 - Until a MW main reaches the development, customers in the development will pay a higher wheeled water rate



Wheeling Policy

“Permanent Wheeling” Policy: For development projects located where MW DOES NOT plan to extend its water infrastructure:

- Require the developer to pay MW, up front as a condition of service, a financial contribution sufficient to cover the higher cost of wheeled water, giving MW the ability to charge customers in the development the same water rates as customers not served by wheeling



Twin Peaks Crossings

- Closest Marana Water main is at the Twin Peaks & Blue Bonnet reservoir—about 1.25 miles south
- Some additional development will occur in the area
- Use “Temporary Wheeling”
 - Fair-share contribution toward future water line cost

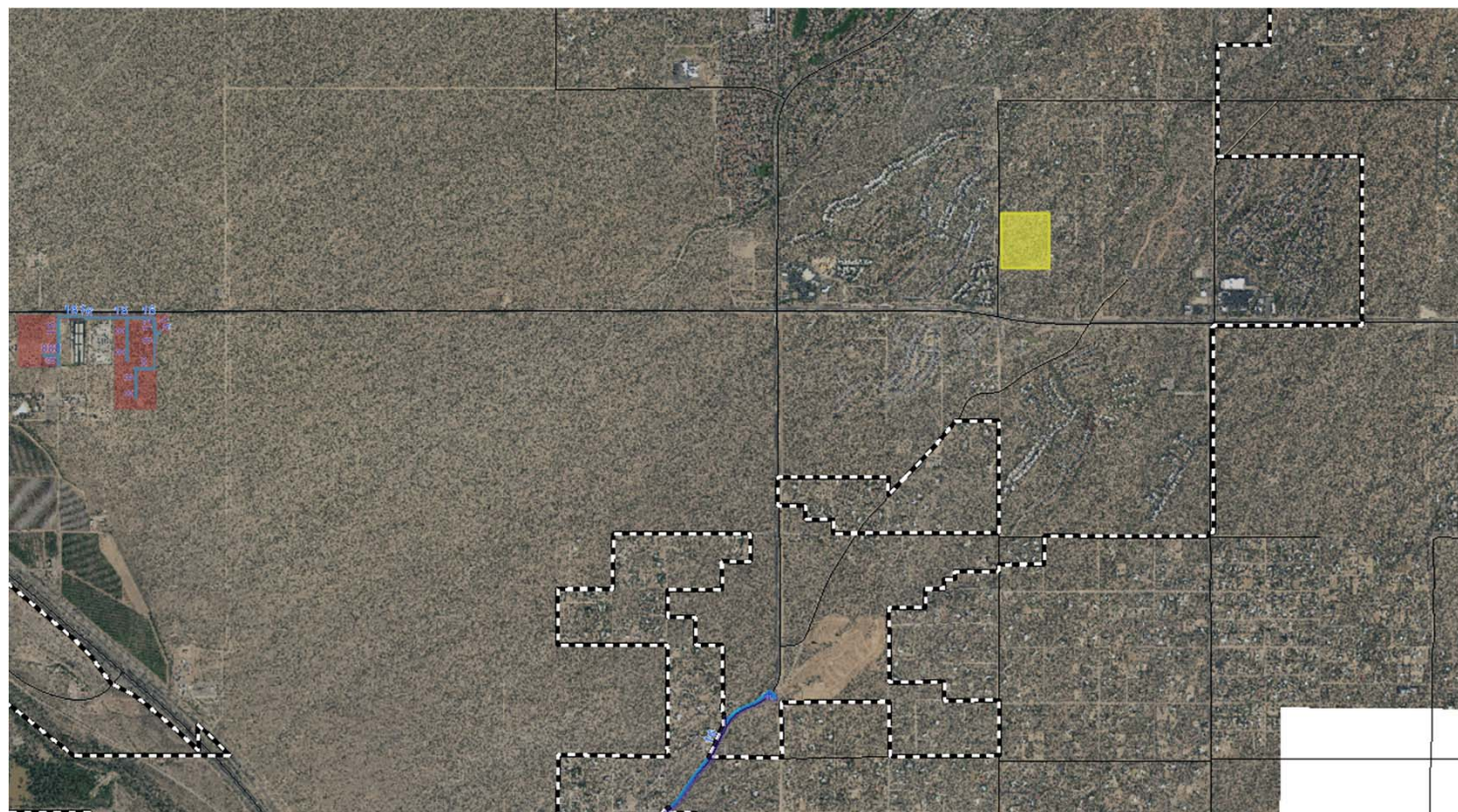
Wheeling Policy Example 1



Wheeling Policy Example 2

Hazra Property

- No plans ever to extend MW mains that far
- Use “Permanent Wheeling”
 - Require cash contribution to offset higher wheeled water cost





Wheeling Policy Discussion

Questions/Discussion

MARANA RESOLUTION NO. 2020-087

RELATING TO UTILITIES; APPROVING AND AUTHORIZING THE MAYOR TO SIGN THE INTERGOVERNMENTAL AGREEMENT BETWEEN THE CITY OF TUCSON AND THE TOWN OF MARANA RELATING TO THE DELIVERY OF CENTRAL ARIZONA PROJECT WATER

WHEREAS the staffs of Marana Water and Tucson Water have negotiated an "Intergovernmental Agreement between the City of Tucson and the Town of Marana relating to the Delivery of Central Arizona Project Water" (the "Tucson Water Wheeling IGA") to facilitate the wheeling of a portion of Marana Water's allocation of Central Arizona Project water through Tucson Water's potable water delivery system to locations of interconnection to Marana Water's service area in the Marana town limits; and

WHEREAS the Tucson Water Wheeling IGA will allow Marana Water to provide potable water service to certain areas of land located within the town limits of the Town of Marana that are too far away from existing Marana Water facilities to receive cost-effective service from Marana Water and are close enough to be served by water lines owned and operated by Tucson Water but do not meet Tucson Water's water service policy; and

WHEREAS the Town Council finds that the Tucson Water Wheeling IGA is in the best interests of the Town and its residents.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE TOWN OF MARANA, ARIZONA, AS FOLLOWS:

SECTION 1. The Tucson Water Wheeling IGA in substantially the form included in the agenda materials accompanying this resolution is hereby approved, and the Mayor is hereby authorized to sign it for and on behalf of the Town of Marana.

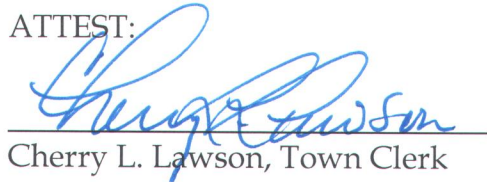
SECTION 2. The Town's Manager and staff are hereby directed and authorized to undertake all other and further tasks required or beneficial to carry out the terms, obligations, and objectives of the intergovernmental agreement.

PASSED AND ADOPTED BY THE MAYOR AND COUNCIL OF THE TOWN
OF MARANA, ARIZONA, this 18th day of August, 2020.



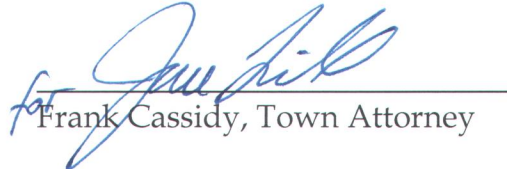
Mayor Ed Honea

ATTEST:



Cherry L. Lawson, Town Clerk

APPROVED AS TO FORM:



Frank Cassidy, Town Attorney





SMARA
TOWN OF MARANA
PICKUP

MAKANA AZ 520-382-1999
ESTABLISHED 1977

INTERGOVERNMENTAL AGREEMENT BETWEEN THE CITY OF TUCSON AND THE TOWN OF MARANA RELATING TO THE DELIVERY OF CENTRAL ARIZONA PROJECT WATER

THIS INTERGOVERNMENTAL AGREEMENT ("this IGA") is entered into by and between the CITY OF TUCSON ("Tucson"), an Arizona municipal corporation, and the TOWN OF MARANA ("Marana"), an Arizona municipal corporation, relating to the delivery of Marana's Central Arizona Project (CAP) water through the Tucson Water potable distribution system, also referred to as wheeling. When acting through their respective water departments, Tucson and Marana are sometimes referred to in this IGA as Tucson Water and Marana Water, respectively. Tucson and Marana are sometimes collectively referred to as the "Parties" and each individually referred to as a "Party."

RECITALS

A. Tucson and Marana may contract for services and enter into agreements with one another for joint and cooperative action pursuant to A.R.S. § 11-951, *et seq.*

B. Marana has an allocation of CAP water, a portion of which can be delivered to Tucson Water underground storage facilities in Avra Valley and subsequently recovered and conveyed through Tucson's potable water distribution system.

C. Tucson currently has excess underground storage and system delivery capacity to store, and deliver Marana's CAP water.

D. Tucson has developed a wheeling rate and study of the feasibility of interim storage and delivery of a portion of Marana's CAP allocation through the Tucson Water potable distribution system, and the study report is attached as Exhibit A.

E. The Tucson Water potable distribution system has the current hydraulic capacity to deliver up to 250 acre-feet per year of Marana's CAP water to locations in the town limits of Marana pursuant to and during the term of this IGA. The specific system capacity at each proposed MWSA location will be verified prior to initiating a project.

F. Marana and Tucson desire to mutually cooperate to deliver additional renewable CAP water supplies to protect and preserve groundwater in Southern Arizona.

G. Marana owns and operates a water utility within and outside Marana's town boundaries.

H. Tucson is authorized by the Tucson Charter, Chapter IV, Section 1(7) "...to establish, maintain, equip, own and operate, works and appliances within and without the city for supplying Tucson and its inhabitants also persons, firms and corporations outside Tucson, including other municipal corporations, with water...."

I. Tucson owns and operates a water utility within and outside the city limits of Tucson, and provides water service within Marana's town limits.

J. Marana desires to provide potable water service within the Marana town limits and in the Marana Water intended service area (the "MWSA") in areas not currently served by Marana or Tucson.

TUCSON/MARANA WATER CAP PROJECT WATER IGA

K. Although this IGA is for a set term of years, the Parties intend for water connection and water resource obligations undertaken by the Parties pursuant to this IGA to be permanent and to provide a permanent supply of potable water to customers served through MWSA Interconnects (as defined in subparagraph 2.c below), unless later modified by mutual agreement of the Parties in reliance on an alternative supply of potable water to the customers served through MWSA Interconnects.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises and covenants contained in this IGA, the Parties covenant and agree as follows:

1. Statement of purpose. This IGA is intended to create, set forth, and define the relationships between Marana and Tucson regarding the extent and terms of water interconnections and wheeling between the potable water systems owned by Tucson and Marana.

2. Delivery to the MWSA. Tucson will take delivery of up to 250 acre-feet per year for recharge of CAP water, and recover a volume sufficient to deliver Marana's annual expected water usage through MWSA Interconnects (as defined in subparagraph 2.c below).

a. Marana will store up to 250 acre-feet per year of its CAP water in Tucson underground storage facilities located at the Central Avra Valley Storage and Recovery Project (CAVSARP) and the Southern Avra Valley Storage and Recovery Project (SAVSARP), for subsequent delivery to the MWSA.

b. Marana will make the necessary arrangements with the Central Arizona Water Conservation District ("CAWCD") for up to 250 acre-feet per year of Marana's CAP water to be delivered to Tucson's underground storage facilities at CAVSARP and SAVSARP.

i. Marana will annually coordinate with Tucson regarding the monthly schedule for delivery of Marana's CAP water for recharge at least 30 days prior to each Party's final placement of the order with CAWCD for the following calendar year. Marana is responsible for placing its order with CAWCD each year based on Marana's estimate of the annual expected water usage through MWSA Interconnects. Tucson shall coordinate the underground storage facility schedule with CAWCD. If Tucson and Marana are unable to reach an agreement about the timing of Marana's deliveries, Marana will place its order according to an even 11-month delivery schedule, with no anticipated deliveries during the month of November.

ii. The volume of the delivery of up to 250 acre-feet of Marana's CAP water will be calculated annually to include adequate storage volumes to account for any cut to the aquifer for long term storage that will be required by the Arizona Department of Water Resources (ADWR). This cut is currently established at 5%, pursuant to A.R.S. § 45-852.01.

iii. The volume of the delivery of up to 250 acre-feet of Marana's CAP water will be calculated annually to also include evaporation losses at Tucson's storage facilities that will be calculated by Tucson in accordance with the terms of its storage permits (typically around 1% per year), and 4% system losses during transmission from the storage and recovery facility to the delivery point to Marana.

iv. If the volume of water delivered through all of the MWSA Interconnects during the just-ended calendar year as reported by Marana pursuant to subparagraph 4.c below exceeds the amount ordered by Marana from CAWCD for that calendar year, the shortage amount shall be added to Marana's CAWCD order for the following calendar year pursuant to subparagraph i above and shall be delivered as soon as possible to Tucson's underground storage facilities at CAVSARP and SAVSARP. Alternatively, Marana may transfer long term storage credits to balance any shortages incurred.

c. Tucson Water will deliver a cumulative total of up to 250 acre-feet per year of potable water recovered from Marana's stored CAP water to the MWSA via one or more points of interconnection to the MWSA (the "MWSA Interconnects"; individually an "MWSA Interconnect"), in locations mutually agreed upon by the Marana Water Director and the Tucson Water Director.

d. The manner of interconnection at each MWSA Interconnect shall be mutually agreed upon by the Marana Water Director and the Tucson Water Director. The purpose of this section is to allow reliable, measured connections to the Tucson Water system that accurately meter the water served to Marana customers without resulting in excess infrastructure maintenance costs. Depending on the type and nature of the development (whether as a single or small number of premises or a multi-lot subdivision) to be served through the MWSA Interconnect, the interconnection can be made with only a valve at the MWSA Interconnect (with Marana water meters at individual service connections), a valve and a water meter, a backflow device and a valve, a backflow device and a water meter, or any other combination of equipment or facilities agreed upon by the Marana Water Director and the Tucson Water Director, consistent with Tucson Water and Town of Marana design standards.

e. Where fire hydrants and fire services are required, they shall be connected to the MWSA Interconnect without passing through a water meter. Marana shall be responsible for fire hydrants and fire services connected through each MWSA Interconnect. Marana may charge its customer for fire services.

f. With respect to each MWSA Interconnect, the Tucson Water Director and the Marana Water Director shall mutually agree on and identify the exact location where Tucson's ownership and maintenance responsibility ends and Marana's ownership and maintenance responsibility begins.

g. Marana shall be responsible to approve and certify the assured water supply for any development or subdivision served by a MWSA Interconnect pursuant to this IGA.

3. Term. The term of this IGA will be ten years with successive ten-year renewable terms upon mutual written agreement of the Marana Water Director and the Tucson Water Director.

a. The term shall commence on the first date of actual delivery through the first MWSA Interconnect.

b. Tucson and Marana shall work together to commence delivery to the first MWSA Interconnect on or before September 1, 2020.

c. The Parties will leave this IGA in place permanently for Marana potable water customers whose only available source of reliable potable water delivery is through an

MWSA Interconnect, subject to generally-applicable Tucson Water rate and fee increases and adjustments.

4. Volume Charge. Marana will pay Tucson Water a volumetric charge of \$499.89 per acre-foot for each acre-foot of potable water delivered up to the 250 acre-feet per year and within the term of this IGA.

a. Upon renewal of this IGA for an additional ten-year term, the payment per acre-foot may be amended by Marana Water and Tucson Water. The mutual consent of the Tucson Water Director and the Marana Water Director shall be necessary to establish the amended volume and cost per acre-foot.

b. Payments and water transfers required under this IGA will occur after the end of each fiscal year; that is, after June 30 of each calendar year.

c. Within 15 days after the end of each calendar year and fiscal year, Marana shall report to Tucson Water the water meter and billing information for all water delivered through all of the MWSA Interconnects during the just-ended calendar year or fiscal year. If requested by Tucson Water, Marana shall provide a separate accounting for the water meter and billing information for each individual MWSA Interconnect and shall provide any requested and available backup documentation.

d. Within 31 days after the end of each fiscal year, Tucson shall invoice Marana the volumetric charge for all water delivered through all of the MWSA Interconnects for the just-ended fiscal year. Marana shall pay Tucson within 31 days of the invoice date.

e. Each MWSA Interconnect shall have a unique power cost made available to Marana prior to installation of infrastructure for that MWSA Interconnect. The Marana Water Director and the Tucson Water Director shall agree to the power costs for each MWSA.

f. Within 31 days after the end of each fiscal year, Tucson shall calculate and invoice Marana the additional power charge for each acre-foot of potable water delivered to the MWSA pursuant to this IGA. Marana shall pay Tucson within 31 days of the invoice date. The power charge will be calculated annually for each MWSA Interconnect, according to the Tucson Water rate cycle, using the most then-current methodology documented in Tucson Water's applicable wheeling study documenting the cost of power for wheeling to the MWSA Interconnects, according to the rates charged to the Town of Oro Valley for a power wheeling charge.

g. Marana is currently participating with other public potable water providers in the Northwest Recharge Recovery & Delivery System (NWRDRS) project, which is expected to deliver recharged CAP water to a location closer to the anticipated MWSA Interconnects than Tucson's underground storage facilities at CAVSARP and SAVSARP. Upon completion of NWRDRS, the Parties may consider the potential to take deliveries from NWRDRS, so long as the Tucson Water Director approves the manner of delivery and quality of water, and so long as the resulting cost of power for wheeling to the MWSA Interconnects is thereby reduced.

5. Delivery quantity. Tucson Water may deliver up to 250 acre-feet per year to the MWSA during the term of this IGA. Any amendment to this IGA for additional deliveries beyond 250 acre-feet per year must be approved by mutual written agreement between the Tucson Water Director and the Marana Water Director and adopted by the Parties' respective governing bodies.

6. Infrastructure Requirements.

a. Tucson Water will design all of the equipment needed to connect Tucson Water potable infrastructure to each MWSA Interconnect including, but not limited to the pump, motor, the discharge header, valves, flow meter, electrical equipment, monitoring equipment, the pressure tank, and the below ground pipe.

b. Marana Water will provide the design parameters to Tucson Water who will design all infrastructure listed in subparagraph 6.a above in accordance with Tucson Water's published engineering standards.

c. Marana Water will review and accept all final designs prior to construction.

d. Marana will compensate Tucson Water for the design of these facilities at the "Developer-Required Facilities Rate for Electrical and Control System Design Fee", which fee is part of Tucson Water's standard rate schedule.

e. Marana will compensate Tucson for any plan review fees include in Tucson's New Development Plan Review Fee Schedule.

f. Tucson Water will be responsible for the construction of all infrastructure required to connect Tucson Water potable infrastructure to each MWSA Interconnect, including but not limited to pumps, motors, meters, valves, monitoring and control equipment, the pressure tank, pipe and other appurtenances.

g. Marana will pay for all infrastructure construction costs in subparagraph 6.f above.

h. For each MWSA Interconnect, Marana Water will prepare designs for the below ground pipe installation from the termination of the work referenced in subparagraph 6.f above to the Marana Water potable distribution system served by the MWSA Interconnect.

i. Warranties of workmanship and equipment will be provided through standard construction contract documents and manufacturer's warranty for any repair or replacement of infrastructure paid for by Marana and still under warranty. Beyond the warranty periods, Marana will be responsible to pay the costs to repair or replace all equipment that was paid for by Marana and installed by Tucson on Tucson-owned property. This includes installation of any new meters, pumps, motors, pressure tanks, pipe, valves, controls, instrumentation or other equipment or appurtenances provided by Marana, but does not include any pre-existing Tucson Water infrastructure.

7. Operation and Maintenance. Tucson shall perform all routine maintenance for the safe and reliable delivery of Marana's CAP-based potable water allotment to the MWSA. All day-to-day operations and delivery amounts will be determined and implemented by Tucson Water and Marana Water certified water operators.

8. Delivery Flow and Pressure. Tucson Water will deliver a daily amount of CAP-based water allotment based upon request by Marana Water.

a. Tucson Water will deliver an annual amount to Marana based on a mutually agreed upon schedule.

b. The daily amount of Marana's CAP-based allotment delivered through each MWSA Interconnect may vary based upon daily decisions made by the Tucson Water and Marana Water certified water operators.

c. Tucson Water will deliver water under sufficient pressure to each respective MWSA Interconnect.

d. In an emergency, Tucson Water will have the ability to shut off all deliveries to each respective MWSA Interconnect for the duration of the emergency and will notify the Marana Water certified water operators immediately. Tucson Water shall have discretion to determine whether such an emergency condition exists within the Tucson Water potable distribution system.

e. If Marana does not maintain a regular minimum flow through each MWSA Interconnect, Tucson Water cannot warrant that the water quality in the lines will be maintained in adequate condition for potable water deliveries, and water necessary for flushing or refilling will be included as part of Marana's total deliveries.

9. Regulatory Requirements. Marana Water and Tucson Water will cooperate to meet all regulatory requirements and acquire any permits required.

a. Tucson and Marana will comply with all ADWR regulations regarding the recovery and delivery of potable water.

i. Marana Water will obtain a storage permit to store its CAP water in Tucson Water's CAVSARP and SAVSARP recharge facilities.

ii. Marana Water will obtain recovery well permits to allow the recovery of its CAP water from Tucson Water's CAVSARP and SAVSARP facilities. The Marana Water Director and the Tucson Water Director shall agree which facilities will be included on the recovery permits prior to permit application. The recovery facilities shall be within the one-mile safe harbor zone.

iii. Marana will pay all permit fees and storage costs and will be responsible for preparing and submitting all reports associated with its storage and recovery well permits based upon information provided by Tucson. Tucson Water shall provide data for reports to Marana no later than January 31 of each year.

iv. Whenever possible, all water stored by Tucson for Marana will be used in the same year stored. To the extent that long-term CAP storage credits are generated for Marana at Tucson facilities, Marana will pay one time storage costs based on the Tucson "Water Bank" storage rate (currently \$16 per acre-foot and increasing at 3% per year) for each acre-foot of CAP water delivered to Tucson facilities. Due to evaporation losses and the cut to the aquifer, this will result in paying storage fees for the percentage of each delivery that does not result in a corresponding amount of annual or long-term storage credits.

v. In accordance with subparagraphs 2.b and 2.b.i above, Marana is responsible for ordering sufficient amounts of CAP water from its CAP allocation to account for its total deliveries to the MWSA through the MWSA Interconnects. In the event that the storage balance is less than what is ordered by Marana, or an outage on the CAP canal or other event prevents Marana from delivering a sufficient volume of CAP water to Tucson's storage facilities during any calendar year and Marana desires to continue deliveries, then Marana will transfer to Tucson an equivalent number of credits from its existing long-term storage accounts already recharged at the SAVSARP facility to offset any negative

storage balance, and will be responsible for locating alternate storage capacity for the balance of its order in other facilities.

vi. If, after termination of this IGA, there should be a negative storage balance of Marana's CAP water in Tucson storage facilities, Marana will transfer sufficient credits from its storage accounts to eliminate the negative storage balance.

vii. If, after termination of this IGA, there should be a positive storage balance of Marana's CAP water in Tucson storage facilities, Tucson will transfer sufficient credits from its storage accounts to eliminate the negative storage balance.

b. Tucson Water and Marana Water will comply with all National Primary Drinking Water Regulations (NPDWRs or primary standards) as enforced by the Arizona Department of Environmental Quality (ADEQ).

i. Tucson Water is responsible for complying with all NPDWRs and policies enforced by ADEQ as they relate to wholesale systems that deliver finished water to a consecutive system.

ii. Tucson Water and Marana Water will comply with all NPDWRs and policies enforced by ADEQ, including regulatory requirements that are applicable to a consecutive water system.

iii. Tucson Water will provide applicable water quality data no later than April 1 to Marana Water at least annually to be used for Marana Water's consumer confidence report, and upon Marana Water's request.

iv. Tucson and Marana will acquire all the required approvals of construction.

10. Storage Balance Reconciliation. By end of February each calendar year, Tucson and Marana will provide each other with sufficient information to complete its required ADWR reporting by March of each calendar year and Tucson will calculate the preceding calendar year's volume of Marana's water in storage. The amount of water delivered from CAWCD can exceed annual deliveries to the MWSA so long as there is an ADWR accounting of Marana credits in Tucson Water's recharge facilities.

a. The Tucson Water CAP allocation will have first priority for storage during any scheduled delivery month, immediately followed by Oro Valley, Pascua Yaqui, Vail Water Company, Marana, Phoenix, and other parties with storage agreements with Tucson Water on the effective date of this IGA. If Tucson Water commits but is for any reason unable to store water for Marana, Tucson Water shall notify Marana immediately to allow Marana to store water elsewhere, and Tucson Water shall pay all costs of any resulting credit transfers incurred by Marana and to recover water stored at an alternate location. Water will continue to be recovered from CAVSARP and SAVSARP and delivered to the MWSA Interconnects even if deliveries are unable to be stored for Marana.

b. This reconciliation process will be necessary to account for unexpected problems such as CAP canal outages, changes in facility infiltration rates, power interruptions, or failures in water system assets.

11. Priority of Storage. The following describes the priority that entities have to store CAP water in Tucson Water recharge facilities:

a. Tucson has priority of storage for its water orders over all other entities and agreements.

b. Any pre-existing contracts Tucson has, at the date of this IGA, with other entities to store their CAP M&I water will have priority above Marana to store in Tucson recharge facilities.

c. Marana will have priority to store its water in Tucson's recharge facilities over the Arizona Water Banking Authority.

12. Additional Documents. The Parties agree to execute such further documents as may be necessary to carry out the terms and intent of this IGA.

13. Entire Agreement. This IGA contains the entire agreement between the Parties, and the terms of this IGA are contractual, and not merely a recital.

14. Recordation. This IGA shall be recorded with the County Recorder of Pima County, Arizona after this IGA has been approved and signed by the Parties.

15. Successors and Assigns. This IGA and all of its terms and provisions shall inure to the benefit of and be binding upon the successors and assigns of the Parties.

16. Notices. All notices shall be in writing and together with other mailings pertaining to this IGA shall be made to:

FOR MARANA:

Town Manager
Town of Marana
11555 West Civic Center Drive, Bldg. A
Marana, Arizona 85653

WITH COPIES TO:

Marana Water Director
Town of Marana
11555 West Civic Center Drive, Bldg. B
Marana, Arizona 85653

Marana Town Attorney
Town of Marana
11555 West Civic Center Drive, Bldg. A
Marana, Arizona 85653

FOR TUCSON:

Director
Tucson Water
P.O. Box 27210
Tucson, AZ 85726

WITH A COPY TO:

City Attorney
City of Tucson
P.O. Box 27210
Tucson, AZ 85726

or as otherwise specified from time to time by each Party

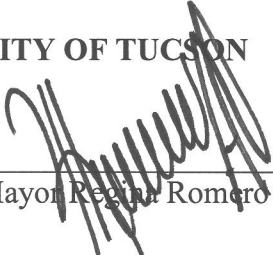
17. Miscellaneous. The Parties agree and acknowledge that time is of the essence with respect to this IGA. If any lawsuit or other enforcement proceeding is brought to enforce this IGA, the prevailing Party shall be entitled to recover the costs and expenses of such action and reasonable attorneys' fees incurred. This IGA shall be governed by and construed in accordance with the laws of the State of Arizona.

18. Effective Date. This IGA shall become effective when this IGA has been signed by all of the Parties and their respective legal counsel and has been recorded at the office of the Pima County Recorder and in accordance with subparagraph 3.a above subject to paragraph 3 above ("Term").

19. Conflict of Interest. This IGA is subject to A.R.S. § 38-511, which provides for cancellation of contracts by municipalities for certain conflicts of interest.

IN WITNESS WHEREOF, each of the Parties has executed this IGA as of the signature date below.

CITY OF TUCSON



Mayor Reginald Romero

Date: August 11, 2020

ATTEST:



Roger Randolph, City Clerk

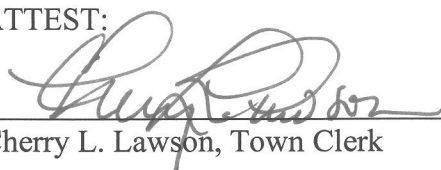
TOWN OF MARANA



Mayor Ed Honea

Date: 8/20/2020

ATTEST:



Cherry L. Lawson, Town Clerk

TUCSON/MARANA WATER CAP PROJECT WATER IGA

- 9 -



MEMORANDUM

TO: Timothy Thomure, Tucson Water

FROM: Deb Galardi, Galardi Rothstein Group
Harold Smith, Raftelis Financial Consultants

DATE: February 2, 2017

RE: Revised Wheeling rates for Oro Valley Water Utility

Introduction

In June 2011 Tucson Water, in conjunction with CH2M HILL, completed the *Water Wheeling Rate Study for Metropolitan Domestic Water Improvement District and Town of Oro Valley Water Utility* (CH2M HILL, June 2011). Subsequent to the study completion, Tucson Water entered into an agreement with Oro Valley for water wheeling, which included a five-year fixed rate based on the 2011 Rate Study methodology. While the 2011 methodology generally followed industry standard principals for water rate setting, particular components of the methodology were tailored to conform to an earlier (2001) settlement agreement, and reflect negotiations among the parties.

In the fall of 2016, RFC was requested to update the water wheeling rates based on the 2011 Rate Study methodology, to reflect current financial and other information from Tucson Water's most recent financial plan and cost-of-service analysis. The initial update was completed in October 2016.

Subsequent to this update, CH2M HILL submitted the "2017 Wheeling Agreement Review" (dated January 12, 2017) which identifies issues with the updated rates, and provides suggested revisions.

This memorandum summarizes our responses to the primary issues raised in the 2017 CH2M HILL Review, and provides a slightly modified rate recommendation reflecting additional discussions with Tucson Water staff.

Comments on 2017 CH2M HILL Review

Update Methodology

The wheeling rate, as developed in the 2011 methodology, is established based on a system average cost per unit of water sold, where costs reflect the annual cash basis revenue requirements (operation, maintenance, and capital) associated with wheeling water under average demand conditions, and water volumes are limited to potable water sales. The 2016 wheeling rate update conducted by RFC utilized the same methodology (and excel model) as was developed in 2011 by CH2M HILL.

Contrary to the statement on Page 9 (last sentence) of the 2017 CH2M HILL Review, there were **no changes to the methodology**, only changes in inputs. Consistent with the 2011 Wheeling Rate Study, the 2016 update is based on revenue requirements from Tucson Water's most recent financial plan (in this case fiscal year 2016/17), and determination of base demand costs reflect the most recent cost allocations

development in Tucson Water's adopted cost-of-service rates. To the extent that the prior methodology was based on industry standard practices (or in the case of some items, negotiations), the updated modeling work is also.

Declining Potable Water Sales

As stated in the original 2011 Water Wheeling Rate Study report, the *"Wheeling Rate Study is not based on a volume of wheeled water, and changing the amount will not impact the per acre-foot cost for this short-term agreement"* (page 4). Instead the cost per acre-foot is established based on potable sales only. Under this methodology, as potable sales change, so does the system average unit cost, and the rates for individual customers (both potable and wheeled water customers). Furthermore, Page 2 of the 2011 Report indicated: *"This water wheeling rate study is based on numerous assumptions. Changes in these assumptions could have a material effect on study findings."* There have been significant changes in assumptions with respect to water sales, etc., since the original rates were established in 2011, and these changes result in a material change in the rates.

By tying the five-year "fixed rate" to the forecast increases in Tucson Water's previous financial plan, there was acknowledgement that the wheeling rate should be adjusted to account for changes in volumes and expenses that were factored into the planned rate increases. The fact that the planned increases changed significantly does not negate this fact, only suggests that larger rate increases were warranted.

In summary, the claim that lower demand should not impact the wheeling rates is off base. The 2011 methodology establishes the wheeling rate as wheeling costs divided by *potable water sales*; as either the numerator or denominator of the unit cost changes, so does the rate. Furthermore, lower demand impacts all rates unless costs decline proportionate to demand, which is not the case for water systems that have a high proportion of fixed costs. Tucson Water's retail customers have experience larger than expected rate increases as a result of lower demand and there is no reason wheeling customers should be exempt from the effects of declining demand, if the rates are to remain fair and equitable for all.

Capital Costs

The 2017 Review suggests that the portion of capital costs included in wheeling should not exceed 12 percent, as determined in the 2011 Rate Study. There are two variables that impact the portion of capital costs included in the wheeling rates: 1) the relative plant investment in included assets, and 2) the portion of included assets that are allocated to base demand.

Included Assets

In determining the portion of capital costs to include in the wheeling rates, the updated modeling uses the same assumptions about included assets as the prior negotiated analysis. Specifically, wheeling-related costs are limited to the following system components: wells, water treatment plant, buildings, and general plant. Furthermore, the updated analysis goes a step further to deduct the value of the AOP assets from wells and water treatment, as these facilities are not related to providing wheeled water.

As mentioned above, the basic methodology established in 2011 is a system average unit cost. As such, there is no determination of what portion of capacity is needed to serve existing customers vs. future growth. Additional investment in water treatment and other included assets has increased water reliability for all customers.

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As mentioned above, the basic methodology established in 2011 is a system average unit cost. As such, there is no determination of what portion of capacity is needed to serve existing customers vs. future growth. Additional investment in water treatment and other included assets has increased water reliability for all customers.

Planning Factors

Consistent with standard industry practice, the allocation of system revenue requirements to base and extra-capacity follows the utility's planning factors. Tucson Water updated its planning factors in 2012 (one year after the original wheeling rates were developed) to reflect changes in system demand patterns (i.e., a reduction in peak demands). Consistent with the 2011 methodology, the updated modeling utilizes Tucson Water's most recent cost of service analysis (in this case fiscal year 2016/17) to allocate costs to base and extra capacity components. Based on the revised planning factors, the portion of costs allocated to 'base' increases relative to extra capacity. This is a primary factor in the wheeling portion of capital costs increasing from 12% to 14.3% in the updated modeling. Retail customers were similarly impacted by this change – with moderate cost shifts away from higher peaking customer classes.

In summary, the claim that the wheeling share of capital costs should remain at 12% is off base. The 14.3% is reflective of the current capital cost structure and cost of service analysis. The capital components are limited to the prior negotiated asset categories, and care was taken to exclude new investments in non-wheeling assets related to AOP.

Changes in O&M Expenses

With respect to the three (3) adjustments recommended on Page 6 of the 2017 Review (which we also noted previously as requiring further staff review):

- a. Cost of additional personnel – There is no justification provided for elimination of these costs, and prior discussion with staff indicated that it should be included.
- b. Property Management – It is our understanding from the prior Vail Wheeling analysis that a large part of the increase in these costs since the 2011 analysis was due to a new contract (at BK Farms). For the Vail analysis, 75% of this line item is excluded from the wheeling rate.
- c. Quality Control – The issue here is that based on recent changes to the cost of service analysis, 100% of these costs are now allocated to "meters & services" (a move to enhance general rate reliability). As we noted during the update, the prior (2011) modeling included O&M costs allocated to meters & services in the wheeling allocation. However, previously, only 50% of quality control costs were allocated to base and meters & services, and therefore included in wheeling costs. The Vail wheeling analysis excludes meters & services costs, so 0% of Quality Control costs are included in the wheeling rates.

Other Comments

Additional comments related to points raised in the 2017 Review are as follows:

1. Page 4 notes that revised rate should not exceed the escalated rate of \$462.07; however, as noted the costs do not remain proportionate to the original analysis due to changes in planning factors and Tucson Water's cost structure.
2. Page 5 notes a difference between the model rate of \$484.80 and the agreement \$484.83. The \$484.83 is also in the updated model (tables added by RFC) and uses a cubic feet to acre-feet conversion consistent with the Vail analysis (which differs slightly from CH2M Hill's calculations).
3. Future Adjustment to Wheeling rates – Page 8 correctly points out the difficulties of tying the wheeling rate increases to the overall increases in the financial plan (i.e., different cost drivers

like power and CAP commodity costs). Our recommendation would be to update the analysis more regularly (e.g. every 1-2 years), to ensure that the wheeling rates reflect changes in those costs specifically.

Recommended Modifications

Based on further discussions with Tucson Water staff, we recommend the following modifications to the preliminary calculations:

1. To be consistent with the wheeling rate analyses conducted subsequent to 2011 for the Vail Water Company, discount Property Management costs included in wheeling by 75 percent.
2. Adjust Quality Control costs to exclude the portion of the program costs not related to transmission line maintenance (about 50 percent); include 63 percent of remaining costs, to reflect the base portion of transmission assets.
3. Include estimated wheeled volumes in the denominator of the unit cost equation. Since 2011, wheeled volumes have become a more consistent part of Tucson Water's sales volumes, and it is appropriate to spread costs over the combined potable and wheeled water volumes to determine the average system cost.

Finally, at the request of Tucson Water, RFC reduced the wheeling portion of capital costs from 14.3 percent to 12 percent, to approximate the mid-point between the 2011 analysis and the updated calculations.

Based on these revisions, the updated wheeling rate is shown in Table 1.

Table 1
OVWC Water Wheeling Study
Summary of Wheeling Costs and Rates (FY2016/17)

Description	Wheeling \$	\$/AF
Operation & Maintenance	\$27,513,502	\$316.75
Taxes	\$0	\$0.00
Capital Requirements	\$8,938,200	\$102.90
Total	\$36,451,702	\$419.65
Potable Water Sales (Ccf)	36,532,402	
Potable Water Sales (AF)	83,861	
Wheeled Water (AF)	3,000	
Total Water Sales (AF) ¹	86,861	

¹ AF = Ccf X 100 X 7.48 / 325851



Council-Study Session

D3

Meeting Date: 10/13/2020

To: Mayor and Council

From: Heath Vescovi-Chiordi, Assistant to the Town Manager

Date: October 13, 2020

Strategic Plan Focus Area:
Commerce

Strategic Plan Focus Area Additional Info:

Principle Statement: "We will seek and retain diverse industries and commerce."

Initiative 2: "Research, evaluate and implement Economic Development tools and strategies to support business development and expansion."

Subject: Relating to Economic Development; update, discussion, and direction regarding possible establishment of a local small business assistance program to assist businesses located within the Town of Marana impacted by the COVID-19 pandemic (Heath Vescovi-Chiordi)

Discussion:

As requested by the Vice Mayor a couple months ago, staff has been working on gathering and compiling information regarding local small business assistance programs, in an effort to analyze and determine what might be appropriate for the Town of Marana in order to assist local small businesses to mitigate the negative effects on them as a result of the COVID-19 Pandemic.

Due to the COVID-19 Pandemic, local and small businesses have been distressed economically, both as a result of the pandemic affecting the amount of people soliciting these businesses, as well as the effects of the Governor's Executive Orders (including Executive Order 2020-43) that effectively closed or minimized the amount of business that could be conducted. Town staff has researched and analyzed multiple different business assistance programs, including programs offered at the federal, state, and local levels, from within our region as well as the Phoenix area, to obtain a better understanding of what types of assistance have already been offered, as well as are currently being offered.

We have seen federal, state, and local programs offer a wide variety of relief in multiple ways. At the federal level, we saw the Paycheck Protection Program (PPP) which disbursed approximately \$600B in loans and grants to small businesses across the country. At the state level, the Governor allocated AZCares Fund dollars to assist with paying for various elements of continuing operations for business across the state, as well as an additional \$10M to assist businesses affected by Executive Order 2020-43. Locally, we see programs ranging from \$500K to \$2M being offered by local municipalities, all focused on small business relief. Each program allowed monies to be expended in various ways, including rent, payroll, utilities, PPE purchases, and more. Award amounts vary among each local program, from \$2,500 to upwards of \$25,000, and each program has a set of requirements for a business to meet in order to qualify for assistance.

Staff has considered numerous factors, including the amount of CARES Fund money the Town received (\$5.6M), restrictions on spending due to the Arizona constitution's "gift clause," the nature of other local programs, the ongoing nature of COVID-19, the lessening of restrictions on businesses as we move forward, the potential of additional federal stimulus assistance, and a survey sent out by the Marana Chamber of Commerce. Based on these factors, if Council proceeds with a program, staff believes that a program aimed at assisting with the ongoing purchase of PPE and other similar materials would be of the most significant benefit, as this will be a significant and ongoing expenditure that is generally above and beyond the original scope of business expenses anticipated.

Upon receiving further direction from Mayor and Council, Town staff will continue to formulate a policy and bring it back to Council for further consideration.

Staff Recommendation:

Council's pleasure.

Suggested Motion:

Council's pleasure.

Attachments

Business Assistance during Covid-19



Marana Local Small Business Assistance during COVID19

Introduction

COVID19 continues to incite uncertainty in national, state, and local economies. As a result of the ongoing issues that local cities and towns are confronting due to the pandemic, Town Staff has completed research of local business assistance programs that aim to alleviate the financial burden that is being placed on our local businesses. Local businesses within the Town contribute to the strength and diversity of our economy, the overall economic health of our region, and perhaps most importantly, to our sales tax revenue generation which in turn allows the Town to deliver essential services back to our residents and businesses. The economy, our businesses, and Town operations are inextricably linked, and with monies recently received from the Governor's Office via the AZ Cares Fund, the Town may be reasonably well-positioned to offer assistance to our business community.

LOCAL, STATE, & FEDERAL ASSISTANCE EXAMPLES

Several municipalities in Arizona are currently examining or implementing small business assistance programs for COVID19 relief, and some have programs that are already up and running. Town Staff from the Manager's Office, Economic Development, Development Services, Finance, and Legal all reviewed multiple proposed programs or programs in process, to better understand the various elements of a small business assistance program, and to identify what might work best for the Town of Marana. There already exist multiple programs that range in the total program amount available, as well as what the uses of these monies may be expended for.

Local programs in the region, and even into the Phoenix area, all range in amounts of \$500K to \$2.5M available for local business assistance. Each program has a range of application requirements that are tailored to their specific needs, including general applications, proof of hardship, W9 forms, and other supporting documentation. Most programs require that any business be located within their respective jurisdiction, be designated a "small" business (based on number of employees/FTEs), and have earnings under a certain amount per calendar year, or have suffered a certain percent threshold of loss of revenue due to COVID19. Program monies typically are able to be expended on items including PPE, rent, utilities, or other "operationally necessary expenditures", and require documentation of said expenditures. Disbursement amounts for an individual business

are one-time, and typically within the range of \$5K to \$25K, based on need. Some of these monies are disbursed as loans, while others are disbursed as grants. Each type of disbursement poses its own set of challenges, risks, and rewards.

At the state level, the Governor's Office recently partnered with Local First Arizona on the AZ Small Business Rent and Mortgage Relief Grant Program, to administer \$10M of CARES Fund money as part of a statewide effort to mitigate the negative effects on small and local businesses that were affected by COVID19, as well as affected by closure as a result of the Governor's Executive Order 2020-43. Awards under this program, can be up to \$25,000, and are prioritized for those businesses found to be struggling the most to meet their financial obligations. This program is currently ongoing and is accessible to businesses throughout the state.

At the Federal Level, we saw the creation and implementation of the Paycheck Protection Program (PPP), which allocated \$600B throughout the original course of the program, as well as a later extension. The PPP ended on August 8th, 2020; however, there remains approximately \$134B unused to date. This program allowed for business and nonprofits, large and small, to apply and receive low interest loans with additional forgiveness provisions, to help bridge the revenue gap during COVID19. Although this program is currently expired, we may see the PPP return upon agreement of an additional relief package among House and Senate political leaders after the 2020 Election.

Based on a recent survey of businesses completed approximately two months ago by the Marana Chamber of Commerce, it was found that, of those that responded, most businesses in Marana either favored use of assistance money for PPE purchases or rent/mortgage obligations. As businesses begin to reopen, coupled with the litany of programs available at the federal, state, and local levels, and the ongoing nature of PPE expenditures that businesses will be responsible for into the near and long term, it seems that perhaps PPE expenditures might be an appropriate area of focus for such an assistance program. The reason for this is that this expenditure type will be ongoing, and more importantly, above and beyond the original scope of business expenses that they would have been prepared for.

LEGAL, FINANCIAL, and ADMINISTRATIVE ELEMENTS

There are several considerations to keep in mind when developing and implementing a program such as this, including elements of program administration (namely staff time), as well as legal and financial elements. As stated earlier in this document, the Town received \$5.6M from the Governor's Office through the AZ CARES Fund. Pursuant to the terms of the grant agreement with the

Governor's Office, the Town must use the funding for actual public health and safety payroll expenses and employee related expenses (EREs). The monies received from the Governor's Office were meant to give maximum flexibility to each individual city and town that received them, most notably to act as a backstop to lost revenue to the Town. As a result of this financial assistance, the Town was able to "free up" that \$5.6M in the General Fund.

General Fund dollars have a specific range of uses, essentially reserved for budgeted programs and operations for the Town of Marana. To that point, it is necessary for Council to officially adopt a program related to business assistance to be able to expend these funds appropriately. As with any use of General Fund monies, there needs to be careful scrutiny on the use of these funds as they exist now, to ensure maximum compliance with how General Fund dollars are allowed to be spent, and to use them to their highest and best use. There are other considerations to be given to issues including the nature of exactly how applications are reviewed, how money is disbursed, the overall duration of the program itself, if the money is a grant or a loan, if collateral is involved, what type of follow up we would expect, and the potential impact on Staff time. These elements straddle both legal and financial ramifications, and as such, must be thoughtfully considered.

While federal guidance from the Department of Treasury allows the use of CARES Act funds for small business assistance, including grants, there are two factors that complicate the issue for the Town: 1) the Town is not a direct recipient of federal CARES Act funding, and 2) the constitutional limitation of Arizona's "Gift Clause." The Gift Clause (Arizona Constitution Article 9, Section 7) essentially states that no government can give money to an individual, association, or corporation. As with any incentive-type program, a business assistance program would need to be crafted to withstand Gift Clause scrutiny to the maximum extent possible, in order to be considered acceptable.

We would also need to set up a sound program and application process that allows us to appropriately discern who is and who is not eligible to receive such an award, and that ties back to the intent of our General Fund dollars and what they are allowed to be expended on. To ensure the program is created to the highest standard, it has been suggested that employing the services of a tax attorney might be necessary, to ensure compliance with any relevant regulations and that use of the money as a loan as opposed to a grant is legally sound. The program might also include some type of follow-up on behalf of the Town, to ensure money is being expended according to any rules set forth in the program.

Lastly, as mentioned above, there is the issue of Staff time. In most iterations of such a program, Staff time would be a significant component. Staff time would be dedicated to creation of the program, application processing, disbursing funds, appropriate program follow-up, and more.

Not only that, but if the program itself is first come first served, we most likely would see an influx of applications all at once when the program opens, which would potentially inundate our Legal and Finance Staff. While Town of Marana Staff is always up to the challenge of doing what is necessary for our operations and our residents/businesses, it is more a question about staff capacity, rather than staff motivation, which must be taken into account. It is also entirely possible that the creation and administration of this program could be done by a 3rd party organization that consults directly with Town of Marana Staff. This would reduce the burden on Staff, but there would most likely be a cost associated with contracting a 3rd party to do so.

Ideally, upon creation, the Town will have crafted a program that is easily accessible to our local small businesses to help bridge their financial gap until the economy is more certain. Additionally, this program would not be an onerous or overly-burdensome process, designed in such a way to create maximum ease and efficiency for businesses to utilize, and for Town Staff to process. Lastly, this program would be one that insulates the Town from any negative legal and financial repercussions, and functions appropriately for all parties involved.