

EXHIBIT A
To Supplemental IGA

O&M AND CAPITAL COSTS PER A.F. FOR RECLAIMED WATER

The City's actual system-wide cost per acre foot for *producing* reclaimed water during the most recently completed fiscal year consists of two elements, an Operations & Maintenance (O&M) cost element and a Capital cost element. The City's actual system-wide cost per acre foot for *distributing* reclaimed water during the most recently completed fiscal year also consists of the same two cost elements. For the purposes of this analysis only, the O&M and capital cost elements shall be divided by the acre feet of reclaimed water produced at the City's Reclaimed Water Treatment Plant(s), to calculate the cost per acre foot.

The methodology for the necessary calculations is described below and illustrated in the attached example calculations in Exhibit A-1.

I. O&M Element

- A. Expenses recorded in the City account(s) directly responsible for operating the reclaimed water system (currently there is only one such account, 081-710-7127) shall be segregated into three components: (a) 'production/treatment,' (b) 'distribution'; (c) 'administrative/support.' This segregation will be made on the basis the City's Job Cost Report for account 081-710-7127, which provides sufficient information to allow such segregation.
- B. 'Administrative/support' expenses shall be allocated to 'production/treatment' and 'distribution' based on the percentage relationship each has to the sum of the two.
- C. Total direct 'production/treatment' and 'distribution' expenses shall be increased by an allocation of expenses from (a) other City accounts whose personnel contribute to operating the reclaimed water system and (b) other City accounts whose personnel are responsible for overall management of the City's Water Utility.
- D. The specific City accounts whose personnel contribute to operating the reclaimed water system may change over time due to Water Utility re-organizations or other factors. Currently, the specific accounts are: 081-710-7472 and 081-710-7137 (maintenance functions); 081-710-7431 (water quality testing); and 081-710-7426, 081-710-7427, 018-710-7428, and 081-710-7457 (engineering).
- E. The bases of allocation for the current specific accounts whose personnel contribute to operating the reclaimed water system shall be as follows and in the order indicated:
 1. 081-710-7472: reclaimed water usage as a percentage of the sum of potable and reclaimed usage.
 2. 081-710-7137: sum of 081-710-7127 non-power expenses and 081-710-7472 allocation to reclaimed water, as a percentage of total expenses of 081-710-7157, 081-710-7177, 081-710-7227, 081-710-7237, 081-710-7117 (non-power), 081-710-7435, 081-710-7472, and 081-710-7127 (non-power).

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3. 081-710-7431: reclaimed water usage as a percentage of the sum of potable and reclaimed usage.
 4. 081-710-7426; 081-710-7427; 081-710-7428; and 081-710-7457: reclaimed water system capital additions for the year as percentage of sum of potable and reclaimed systems' additions, excluding additions of land and meters/services.
 5. Since the preceding allocation bases for these specific City accounts are numerous as well as complex, to simplify calculations, the net percentage results projected in the City's water rate model for FY 1999 shall be used.
 6. That percentage is 11.9% of the total expenses for the specific City accounts.
 7. This percentage shall be updated every three years, or when specific accounts change, or when existing allocation factors change, whichever comes first.
- F. The specific City accounts whose personnel are responsible for the overall management of the Water Utility or for general administrative support may change over time. Currently, the specific accounts are: 081-710-7416; 081-710-7417; 081-710-7418; 081-710-7432; 081-710-7434; 081-710-7441; 081-710-7475; 081-710-7425; 081-710-7429; 081-710-7430; 081-710-7470; 081-710-7217; 081-710-7437; 081-710-7438; and 081-710-7439.
1. Allocation bases for these specific City accounts are numerous as well as complex. To simplify calculations, the net percentage results projected in the City's water rate model for FY 1999 shall be used.
 2. That percentage is 2.3% of the total expenses for the specific City accounts.
 3. This percentage shall be updated every three years, or when specific accounts change, or when existing allocation factors change, whichever comes first.
- G. Expenses in E and F shall be allocated to 'production/treatment' and 'distribution' based on the percentage relationship of the two identified in B above.
- H. Miscellaneous revenues and operating fund interest earnings available for financing the Water Utility's total O&M shall also be allocated between the potable and reclaimed water systems. To simplify calculations, the percentage of these revenues allocated to reclaimed water in the City's water rate model for FY 1999 shall be used.
1. That percentage is 6.9% of the sum of miscellaneous revenues and operating fund interest earnings.
 2. This percentage shall be updated every three years, or when existing allocation factors change, whichever comes first.

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3. The revenues allocated to reclaimed water O&M shall be distributed between 'production/treatment' and 'distribution' based on the percentage relationship the expenses of each has to the summed expenses of the two.
 4. The 'production/treatment' revenues shall be deducted from the 'production/treatment' expenses.
- I. The resulting totals for 'production/treatment' and for 'distribution' shall then each be divided by the reclaimed water produced (in acre feet) for the given fiscal year, as reported by the City's Reclaimed Water Treatment Plant(s), providing the O&M cost per acre foot to produce or distribute reclaimed water for that year.

II. Capital Element

- A. Capital expenditures financed by City Water Utility revenues shall be identified and segregated. For FY 1999, such expenditures are composed of the following items: (a) equipment with a unit cost greater than \$1,000; (b) debt service payments on bonds secured by water revenues, excluding amortization of any loss or gain on bond refundings; (c) contract payments for capital water facilities (such as those related to the purchase of private water companies); and (d) that portion of the Water Utility's capital program financed by annual revenues. These items may change over time. These capital expenditures occur in City accounts too numerous to list. Should Pima County request a specific listing by account and expenditure amount, the City will provide such a listing.
- B. Capital-related revenues and other funding sources, exclusive of Water Utility revenues, shall be identified and segregated from other revenues and sources. For FY 1999, such capital-related sources are composed of the following items: (a) water system connection fees; (b) area development fees recognized as revenue; (c) interest earnings on the debt service fund; (d) interest earnings on the Central Arizona Project reserve fund; (e) interest earnings from the settlement with Metropolitan Water Water Improvement District; (f) use of funds originating in the Metropolitan Water Company reserve account; (g) use of funds originating in the Central Arizona Project reserve fund; and (h) use of working capital originating in the Water Utility's operating fund. These items may change over time. These capital sources are recorded in City accounts too numerous to list. Should Pima County request a specific listing by account and revenue/source amount, the City will provide such a listing.
- C. Capital expenditures in A above shall be reduced by capital sources in B above, resulting in the net capital costs to be recovered from revenues generated by the sale of water.
- D. The net capital costs shall be allocated between the potable system and the production/treatment and distribution components of the reclaimed water system by restating net capital costs as the depreciation amounts on the respective systems and reclaimed components for the given fiscal year. Any remaining net capital costs shall be allocated based on the percentage relationship the assets of the potable system and each reclaimed component has to the sum of the assets of the three. The following specific allocation methodology shall be followed:

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1. Respective system asset identification shall be based on the City's Property Register which details the completed and installed water facilities of both the potable and reclaimed water systems, the City's 'Holding Account' which details the completed and installed water facilities of both systems which are awaiting entry on the Property Register, and the City's ledger for construction work-in-progress which details the water facilities of both systems currently underway but not completed. In all cases, asset identification shall exclude meters, hydrants, and any other customer-related asset costs, since customer-related costs are excluded from this agreement. Contributed capital for the respective systems shall also be identified and deducted from the previously identified asset totals for each system.
2. The asset total for the reclaimed system shall be segregated into three components: 'production/treatment,' 'distribution,' and 'other.' Specific accounts, too numerous to list, in the City's Property Register, Holding Account, and the ledger for construction in progress, provide the necessary segregation. 'Other' shall be allocated to 'production/treatment' and 'distribution' based on the percentage relationship each has to the sum of the two.
3. Assets, such as 'general plant' which cannot be specifically identified as belonging to either the potable system or the reclaimed system, shall be allocated to the potable system and to the 'production/treatment' and 'distribution' components of the reclaimed system based on the percentage relationship each has to the sum of the three.
4. Following the determination of assets attributable to the potable system and the 'production/treatment' and 'distribution' components of the reclaimed system, the depreciation for the given year, based on City Accounting depreciation factors for asset types, shall be calculated for the potable system and the 'production/treatment' and 'distribution' elements of the reclaimed system.
5. If the sum of depreciation for the potable system and the 'production/treatment' and 'distribution' components of the reclaimed system is less than the net capital cost to be allocated, the remaining portion of the net capital cost shall be allocated among the three, based on the percentage relationship the assets of each has to the sum of the three.
6. The resulting net capital cost for the reclaimed 'production/treatment' and 'distribution' components shall then each be divided by the reclaimed water produced (in acre feet) for the given fiscal year, as reported by the City's Reclaimed Water Treatment Plant(s), providing the capital cost per acre foot to produce reclaimed water for that year.

Exhibit A-1
to Supplemental IGA

Calculation of Reclaimed Water O&M and Capital Costs

Exhibit A ref	WATER UTILITY POTABLE SYSTEM			RECLAIMED WATER SYSTEM			ALLOCATION RELATED DATA						
	Water Utility Total	Potable System Total	Adminal/ Other	Total	Production/ Treatment	Distribution	Potable Sys + Reclaimed Prod + Reclaimed Dist	Potable Sys Percentage	Sum: Prod & Distribution	Prod Percentage	Distribution Percentage	Reclaimed Sys Percentage	Reclaimed Prod (AP)
I, A	\$1,439,000	\$1,439,000	\$61,000	\$1,439,000	\$1,166,000	\$212,000			\$1,378,000	84.6%	15.4%		
I, B	\$1,439,000	\$1,439,000	(\$61,000)	\$1,439,000	\$59,000	\$9,000							
I, C - I, G	\$432,000												
	\$2,539,000												
	\$1,228,000												
	\$392,000												
	\$417,000												
	\$769,000												
	\$1,475,000												
Sub-total	\$7,352,000		\$0	\$863,000	\$730,000	\$133,000						11.9%	
	\$1,924,000												
	\$1,277,000												
	\$419,000												
	\$1,037,000												
	\$412,000												
	\$235,000												
	\$212,000												
	\$430,000												
	\$587,000												
	\$692,000												
	\$593,000												
	\$1,385,000												
	\$1,662,000												
	\$2,891,000												
	(\$1,153,000)												
Sub-total	\$9,793,000			\$225,000	\$190,000	\$35,000						2.3%	
I, H	Misc revenue												
	Operating fund	\$2,115,000											
	interest earn.	\$412,000											
	Sub-total	\$3,527,000			\$174,000	\$147,000	\$27,000						
I, I	O&M Cost Per AP Produced	\$3,353,000		\$1,891,000	\$362,000								
		\$234,44		\$189.91	\$34.53								

Exhibit A-1
to Supplemental IGA

Calculation of Reclaimed Water O&M and Capital Costs

EXHIBIT A-1	RECLAIMED WATER SYSTEM				ALLOCATION RELATED DATA										
	Water Utility Total	Potable System Total	Total	Production/Treatment	Distribution	Alcohol/Other	Potable Sys + Reclaimed Dist	Sum of Prod & Distribution	Reclaimed Sys Percentage	Reclaimed Prod + Reclaimed Dist	Potable Sys Percentage	Prod Percentage	Distribution Percentage	Reclaimed Sys Percentage	Reclaimed Prod (AF)
II, A	Equipment \$2,129,000														
	Debt Service \$18,806,000														
	Contract Pymts \$702,000														
	Capital Programs \$21,792,000														
	Sub-total \$43,431,000														
II, B	Connection Fees \$2,078,000														
	Area Dev Fees \$952,000														
	Interest/Debt Service Fund \$277,000														
	Interest/CAP Res Fund \$34,000														
	Interest/WW/ID Settlement \$672,000														
	Use of Metro Reserve Account \$490,000														
	Use of CAP Reserve Fund \$1,175,000														
	Use of Working Capital \$3,116,000														
	Sub-total \$8,784,000														
II, C	Net Capital Costs to be Allocated \$34,647,000														
II, D	Depreciation Basis: 1														
	Source/Prod/Treatment \$0	\$0	\$0	\$0	\$0	\$0									
	Storage for Source \$0	\$0	\$0	\$0	\$0	\$0									
	Transmission/Distribution \$0	\$0	\$0	\$0	\$0	\$0									
	Storage for Distribution \$0	\$0	\$0	\$0	\$0	\$0									
	Meters & Services \$0	\$0	\$0	\$0	\$0	\$0									
	Hydrants \$0	\$0	\$0	\$0	\$0	\$0									
	Other (Shed/Res, Office Furn, etc) \$0	\$0	\$0	\$0	\$0	\$0									
	General Plant \$0	\$0	\$0	\$0	\$0	\$0									
	Sub-total \$0	\$0	\$0	\$0	\$0	\$0									
	Alcohol/Other \$0	\$0	\$0	\$0	\$0	\$0									
	Sub-total \$0	\$0	\$0	\$0	\$0	\$0									
	Less: Meters/Sves & Hydrants \$0	\$0	\$0	\$0	\$0	\$0									
	Sub-total \$0	\$0	\$0	\$0	\$0	\$0									
	Allocate General Plant \$0	\$0	\$0	\$0	\$0	\$0									
	Total Depreciation \$0	\$0	\$0	\$0	\$0	\$0									
	Net Capital Costs Remaining to be Allocated \$34,647,000														

Exhibit A-1
to Supplemental IGA

Calculation of Reclaimed Water O&M and Capital Costs

Exhibit A 10	RECLAIMED WATER SYSTEM										ALLOCATION RELATED DATA			
	Water Utility Total	Potable System Total	Production/ Treatment	Distribution	Admini/ Other	Potable Sys + Reclaimed Prod + Reclaimed Dist	Potable Sys Percentage	Sum: Prod & Distribution	Prod Percentage	Distribution Percentage	Reclaimed Sys Percentage	Reclaimed Prod (AF)		
Asset Bases:														
Property Registers:														
Land	\$44,618,000	\$43,409,000	\$1,239,000		\$1,239,000									
Source/Prod/Treatment	\$125,229,000	\$115,512,000	\$9,687,000		\$9,687,000									
Storage for Source	\$3,521,000	\$3,521,000	\$3,521,000		\$3,521,000									
Transmission/Distribution	\$397,623,000	\$316,606,000	\$51,017,000		\$51,017,000									
Storage for Distribution	\$71,357,000	\$65,449,000	\$5,908,000		\$5,908,000									
Meters & Services	\$39,353,000	\$39,146,000	\$207,000		\$207,000									
Hydrants	\$17,110,000	\$17,110,000												
Other (Studies, Office Furn, etc)	\$3,605,000	\$3,605,000			\$3,605,000									
General Plant	\$51,711,000													
Sub-total	\$754,157,000	\$627,262,000	\$13,208,000	\$56,925,000	\$4,844,000	\$70,133,000	18.05%	\$70,133,000	18.05%					
Allocate Other			\$912,000	\$3,932,000	(\$4,844,000)									
Sub-total	\$754,157,000	\$627,262,000	\$14,120,000	\$60,857,000	\$0									
Less: Meter/Service & Hydrants														
Contributed Capital	\$56,464,000	\$56,257,000	\$207,000		\$207,000									
Sub-total	\$71,817,000	\$66,345,000	\$1,000,000	\$4,164,000	\$108,000									
Sub-total	\$682,340,000	\$560,917,000	\$13,120,000	\$56,693,000	\$108,000									
Allocate Other			\$21,000	\$87,000	(\$108,000)									
Sub-total	\$682,340,000	\$560,917,000	\$13,141,000	\$56,800,000	\$0									
Allocate General Plant			\$1,180,000	\$5,098,000										
Total Property Register	\$625,876,000	\$349,893,000	\$14,219,000	\$61,701,000										
Holding Accounts:														
Allocate Holding Account ³	\$5,698,000	\$5,006,000	\$130,000	\$562,000										
Total Assets In Place	\$625,876,000	\$554,899,000	\$14,409,000	\$62,266,000										
Construction-In-Progress:														
Land	\$0	\$0	\$0		\$0									
Source/Prod/Treatment	\$10,851,000	\$29,309,000	\$11,342,000	\$1,342,000										
Storage for Source	\$0	\$0	\$0		\$0									
Transmission/Distribution	\$55,558,000	\$51,751,000	\$3,807,000	\$3,807,000										
Storage for Distribution	\$4,195,000	\$4,095,000	\$100,000	\$100,000										
Meters & Services	\$4,661,000	\$4,602,000	\$59,000	\$59,000										
Hydrants	\$0	\$0	\$0		\$0									
Other (Studies, Office Furn, etc)	\$270,000	\$270,000	\$270,000		\$270,000									
General Plant	\$18,218,000	\$0	\$0		\$0									
Sub-total	\$123,753,000	\$89,937,000	\$15,578,000	\$3,907,000	\$270,000									
Allocate Other			\$201,000	\$69,000	(\$270,000)									
Sub-total	\$123,753,000	\$89,937,000	\$15,779,000	\$4,000,000	\$0									
Sub-total	\$748,629,000	\$644,836,000	\$29,987,000	\$66,766,000	\$0									
Allocate Other			\$562,000	\$562,000										
Sub-total	\$748,629,000	\$644,836,000	\$30,549,000	\$67,328,000	\$0									
Sum: Prod & Distribution			\$70,133,000											
Prod Percentage			18.05%											
Distribution Percentage			81.25%											
Reclaimed Sys Percentage			87.94%											
Reclaimed Prod (AF)			\$574,165,000											
Reclaimed Prod + Reclaimed Dist			\$574,165,000											
Sum: Prod & Distribution			\$574,165,000											
Prod Percentage			2.35%											
Distribution Percentage			87.45%											
Reclaimed Sys Percentage			89.80%											
Reclaimed Prod (AF)			\$51,249,000											
Reclaimed Prod + Reclaimed Dist			\$51,249,000											
Sum: Prod & Distribution			\$51,249,000											
Prod Percentage			74.45%											
Distribution Percentage			25.65%											

Calculation of Reclaimed Water O&M and Capital Costs

Exhibit A ref.	RECLAIMED WATER SYSTEM				ALLOCATION RELATED DATA					
	Water Utility Total	Potable System Total	Production/ Treatment	Admitted/ Other	Potable Prod + Reclaimed Dist	Possible Sys Percentage	Sum: Prod & Distribution	Prod Percentage	Reclaimed Sys Percentage	Reclaimed Prod (AF)
Sub-total	\$123,733,000	\$89,957,000	\$11,543,000	\$0						
Less: Meter & Svc. & Hydrants	\$1,661,000	\$1,602,000								
Sub-total	\$119,092,000	\$88,355,000	\$11,543,000	0	\$100,874,000	84.65%		11.4%	3.9%	
Allocate General Plant		\$15,415,000	\$2,085,000	\$718,000						
Total Construction-in-Progress		\$100,770,000	\$13,628,000	\$4,604,000						
Total Assets		\$655,649,000	\$28,037,000	\$66,900,000	\$750,666,000	87.35%		3.7%	8.9%	
Net Capital Costs Remaining Allocable to Reclaimed			\$1,294,000	\$3,091,000						
Summary: Capital Cost Allocation to Reclaimed			\$0	\$0						
Depreciation Basis Asset Basis			\$1,294,000	\$3,091,000						
Total			\$1,294,000	\$3,091,000						

Capital Cost Per AF Produced = $\frac{\$1,294,000}{1,441,826 \text{ AF}} = \0.898 and $\frac{\$3,091,000}{3,474,433 \text{ AF}} = \0.890 Total = $\$179,433$

* Information for depreciation basis will be added later.

** Information by asset type for the loading account, if available, will be added later in place of an allocation.

EXHIBIT B
To Supplemental IGA

Reclaimed Cost of Service
Preliminary FY 1999 ACTUALS

	Prod/Treatment	Distribution	Total
O&M Costs	\$1,991,000	\$362,000	\$2,353,000
<i>Cost Per AF Produced</i>	<i>\$189.91</i>	<i>\$34.53</i>	<i>\$224.44</i>
Capital Costs ¹	\$1,294,000	\$3,091,000	\$4,385,000
<i>Cost Per AF Produced</i>	<i>\$123.43</i>	<i>\$294.83</i>	<i>\$418.26</i>
Total ²	\$3,285,000	\$3,453,000	\$6,738,000
<i>Cost Per AF Produced</i>	<i>\$313.34</i>	<i>\$329.36</i>	<i>\$642.70</i>
<i>FY 1999 Reclaimed Water Produced (AF)</i>		<i>10,483.9</i>	

	<u>Supp. IGA Reference</u>	
Environmental Rate	Subsec. 5.2.2.1	\$224.44
Effluent Recovery Rate	Subsec. 6.5	\$189.91
Operating Expense Component of Reclaimed Wheeling Rate	Subsec. 12.3	\$34.53
Minimum Production Component for Non-Metropolitan Effluent	Subsec. 4.1.3	\$189.91

¹ For this preliminary calculation, capital costs have not been allocated on the bases of depreciation and asset relationships, but rather on the sole basis of asset relationships. Final calculations will be based on both depreciation and asset relationships.

² The methodology in this agreement has been negotiated between the parties and departs from the City's standard methodology used in water utility rate studies in the following ways: 1) Customer costs and tax costs have been excluded from total costs; and 2) cost per acre foot has been calculated on the basis of water produced rather than water sold.

EXHIBIT C
To Supplemental IGA

WHEN RECORDED, MAIL TO:

HECTOR MARTINEZ
Administrator
Real Estate Division
201 North Stone, Sixth Floor
Tucson, Arizona 85701

CONSENT

This Consent is hereby granted to the City of Tucson, Arizona (the "City"), by Pima County (the "County"), this _____ day of February, 2000.

WHEREAS, the County is the owner of certain parcels of real property located in Pima County, Arizona, described by Pima County Tax Code Parcel Number as:

1. 103-04-001F
2. 103-06-004F
3. 103-06-092F
4. 101-20-031C
5. 101-19-0020
6. 101-19-0030
7. 101-06-006C
8. 214-01-0260
9. 214-01-014A
10. 214-01-018C
11. 214-01-017D
12. 214-04-042B
13. 214-04-042D

In addition, Pima County is the owner of various parcels listed under Parcel Code Number 999-99-9993, including the Sunset Road Right-of-Way, and any other such parcels as may be located near the Santa Cruz River between Roger Road and Ina Road; and

WHEREAS, certain portions of the above-listed parcels are located within the riverbed of the Santa Cruz River, between the banks thereof; and

WHEREAS, certain effluent is discharged into the riverbed of the Santa Cruz River; and

WHEREAS, the City has requested that the County consent to the use of the reach of the Santa Cruz river that flows through the above County Parcels as a Managed Recharge Facility under Arizona Revised Statutes §§ 45-801 *et seq*; and

WHEREAS, Pima County is willing to grant this Consent according to the specific terms of the Supplemental Intergovernmental Agreement between the City of Tucson and the Pima County ("the 2000 Supplemental IGA"), to which this Consent is attached as Exhibit C.

NOW THEREFORE, Pima County hereby agrees to the following:

1. The County hereby grants to the City consent to contain and transport effluent which flows over the above-listed Pima County parcels for the purposes of operating an underground storage facility pursuant to Permit No. 71-545944.0001 (the "Permit") or any subsequent underground storage facility permit issued by the Arizona Department of Water Resources to the City for a managed recharge project for this reach of the Santa Cruz River. Some of the parcels of land located within this reach of the Santa Cruz River are listed under a common parcel number: 999-99-9993; by this Consent, Pima County hereby grants the City permission to use any such parcel located in the bed of the Santa Cruz River between Roger Road and Ina Road for purposes of a Managed Recharge Project.
2. Said Consent shall run with the land in favor of the City of Tucson for the duration of the permit, or any extension or renewal thereof, and shall be binding on successors and assigns.

Pima County has executed this Consent as of the date written below.

By: _____

C.H. HUCKELBERRY
COUNTY ADMINISTRATOR

This ___ day of February, 2000.

STATE OF ARIZONA)
) ss.
County of Pima)

The foregoing instrument was acknowledged before me this _____ day of February, 2000,
by C.H. Huckelberry, County Administrator, Pima County.

Notary Public

My Commission Expires:

Iwork/ds/ca/PimaConsent.doc

EXHIBIT D
To Supplemental IGA

WHEN RECORDED, MAIL TO:

HECTOR MARTINEZ
Administrator
Real Estate Division
201 North Stone, Sixth Floor
Tucson, Arizona 85701

CONSENT

This Consent is hereby granted to the City of Tucson, Arizona (the "City"), by the Pima County Flood Control District (the "Flood Control District"), this ____ day of February, 2000.

WHEREAS, the Flood Control District is the owner of certain parcels of real property located in Pima County, Arizona, described by Pima County Tax Code Parcel Number as:

1. 101-06-009G
2. 101-06-004F
3. 214-01-024E
4. 214-01-024B
5. 214-01-024D
6. 214-01-024H
7. 214-01-024J

In addition, the Flood Control District is the owner of a parcel listed under Parcel Code Number 999-99-9993, which includes the Canada Del Oro drainageway; and

WHEREAS, certain portions of the above-listed parcels are located within the riverbed of the Santa Cruz River, between the banks thereof; and

WHEREAS, certain effluent is discharged into the riverbed of the Santa Cruz River; and

CONFIDENTIAL

WHEREAS, the City has requested that the Flood Control District consent to the use of the reach of the Santa Cruz river that flows through the above Flood Control District Parcels as a Managed Recharge Facility under Arizona Revised Statutes §§ 45-801 *et seq*; and

WHEREAS, the Flood Control District is willing to grant this Consent according to the specific terms of the Supplemental Intergovernmental Agreement between the City of Tucson and Pima County ("the 2000 Supplemental IGA"), to which this Consent is attached as Exhibit D.

NOW THEREFORE, the Pima County Flood Control District hereby agrees to the following:

1. The Flood Control District hereby grants to the City consent to contain and transport effluent which flows over the above-listed Flood Control District parcels for the purposes of operating an underground storage facility pursuant to Permit No. 71-545944.0001 (the "Permit") or any subsequent underground storage facility permit issued by the Arizona Department of Water Resources to the City for a managed recharge project for this reach of the Santa Cruz River. One of the parcels of land located within this reach of the Santa Cruz River is listed under a common parcel number: 999-99-9993; by this Consent, the Flood Control District hereby grants the City permission to use any such parcel as may be located in the bed of the Santa Cruz River between Roger Road and Ina Road for purposes of a Managed Recharge Project. This Consent shall be subject to the limitations set forth in the 2000 Supplemental IGA.
2. Said Consent shall run with the land in favor of the City of Tucson for the duration of the permit, or any extension or renewal thereof, and shall be binding on successors and assigns.

The Pima County Flood Control District has executed this Consent as of the date written below.

By:

C.H. HUCKELBERRY
COUNTY ADMINISTRATOR

This ___ day of February, 2000.

STATE OF ARIZONA)
) ss.
County of Pima)

The foregoing instrument was acknowledged before me this _____ day of February, 2000,
by C.H. Huckelberry, County Administrator, Pima County.

Notary Public

My Commission Expires:

lwork/ds/ca/PCFCDCConsent.doc

EXHIBIT E
To Supplemental IGA

WHEN RECORDED, MAIL TO:

Administrator
Real Estate Division
201 North Stone, Sixth Floor
Tucson, Arizona 85701

CONSENT

This Consent is hereby granted to the City of Tucson, Arizona (the "City"), by Pima County (the "County"), this ____ day of _____, _____.

WHEREAS, the Pima County is the owner of certain parcels of real property located in Pima County, Arizona, described by Pima County Tax Code Parcel Number as:

1. [List of Pima County Parcels]

In addition, Pima County is the owner of various parcels listed under Parcel Code Number 999-99-9993, which include [various rights-of-way and drainageway parcels]; and

WHEREAS, certain portions of the above-listed parcels are located within the riverbed of the Santa Cruz River, between the banks thereof; and

WHEREAS, certain effluent is discharged into the riverbed of the Santa Cruz River; and

WHEREAS, the City has requested that the County consent to the use of the reach of the Santa Cruz river that flows through the above County Parcels as a Managed Recharge Facility under Arizona Revised Statutes §§ 45-801 *et seq*; and

WHEREAS, Pima County is willing to grant this Consent according to the specific terms of the Supplemental Intergovernmental Agreement between the City of Tucson and the Pima County ("the 2000 Supplemental IGA"), to which this Consent is attached as Exhibit E.

EXHIBIT E, FORM OF AGREEMENT FOR CONSENT FOR MANAGED RECHARGE PROJECTS NORTH OF
INA ROAD

NOW THEREFORE, Pima County hereby agrees to the following:

1. The County hereby grants to the City consent to contain and transport effluent which flows over the above-listed Pima County parcels for the purposes of operating an underground storage facility pursuant to [a permit issued by the] Department of Water Resources to the City for a recharge project for this reach of the Santa Cruz River. [Some of the parcels of land located within this reach of the Santa Cruz River are listed under a common parcel number: 999-99-9993; by this Consent, Pima County hereby grants the City permission to use any such parcel located in the bed of the Santa Cruz River north of Ina Road for purposes of a Managed Recharge Project.
2. Said Consent shall run with the land in favor of the City of Tucson for the duration of the permit, or any extension or renewal thereof, and shall be binding on successors and assigns.

Pima County has executed this Consent as of the date written below.

By: _____
COUNTY ADMINISTRATOR

This ___ day of _____, _____.

STATE OF ARIZONA)
) ss.
County of Pima)

The foregoing instrument was acknowledged before me this _____ day of _____, _____,
by [Pima County Administrator].

Notary Public

My Commission Expires:

WHEN RECORDED, MAIL TO:

Administrator
Real Estate Division
201 North Stone, Sixth Floor
Tucson, Arizona 85701

CONSENT

This Consent is hereby granted to the City of Tucson, Arizona (the "City"), by Pima County Flood Control District (the "Flood Control District"), this ____ day of _____, ____.

WHEREAS, the Flood Control District is the owner of certain parcels of real property located in Pima County, Arizona, described by Pima County Tax Code Parcel Number as:

1. [List of Flood Control District Parcels].

In addition, the Flood Control District is the owner of parcels listed under Parcel Code Number 999-99-9993, which include [various rights-of-way and drainageway parcels]; and

WHEREAS, certain portions of the above-listed parcels are located within the riverbed of the Santa Cruz River, between the banks thereof; and

WHEREAS, certain effluent is discharged into the riverbed of the Santa Cruz River; and

WHEREAS, the City has requested that the Flood Control District consent to the use of the reach of the Santa Cruz river that flows through the above Flood Control District Parcels as a Managed Recharge Facility under Arizona Revised Statutes §§ 45-801 *et seq*; and

WHEREAS, the Flood Control District is willing to grant this Consent according to the specific terms of the Supplemental Intergovernmental Agreement between the City of Tucson and Pima County ("the 2000 Supplemental IGA"), to which this Consent is attached as Exhibit F.

EXHIBIT F, FORM OF AGREEMENT FOR CONSENT FOR MANAGED RECHARGE PROJECTS NORTH OF
INA ROAD

NOW THEREFORE, the Pima County Flood Control District hereby agrees to the following:

1. The Flood Control District hereby grants to the City consent to contain and transport effluent which flows over the above-listed Flood Control District parcels for the purposes of operating an underground storage facility pursuant to [a permit issued by the] Arizona Department of Water Resources to the City for a managed recharge project for this reach of the Santa Cruz River. [One of the parcels of land located within this reach of the Santa Cruz River is listed under a common parcel number: 999-99-9993; by this Consent, the Flood Control District hereby grants the City permission to use any such parcel as may be located in the bed of the Santa Cruz River north of Ina Road for use in a managed recharge project.] This consent shall be subject to the limitations of the 2000 Supplemental IGA.
2. Said Consent shall run with the land in favor of the City of Tucson for the duration of the permit, or any extension or renewal thereof, and shall be binding on successors and assigns.

The Pima County Flood Control District has executed this Consent as of the date written below.

By: _____
COUNTY ADMINISTRATOR

This ___ day of _____, ____.

STATE OF ARIZONA)
) ss.
County of Pima)

The foregoing instrument was acknowledged before me this _____ day of _____, ____.
By [Pima County Administrator].

Notary Public

My Commission Expires:

00 21 00 14 11 20 00

EXHIBIT G
To Supplemental IGA

Kino Pipeline — Capital Component of County Kino Wheeling Rate

Assumptions:

- (1) Since the Kino pipeline will likely have additional non-County connections in the future, Pima County's obligation will be calculated at 50% of cost of construction.
- (2) *Distribution capital costs/AF* used in the calculation of liability balance reductions are the actual Distribution Capital Cost/AF for the previous FY (see Exhibits A, A-1 and A-2).
- (3) 100% of the *Distribution capital costs/AF* component for paid purchases of Reclaimed Water from the City for Kino Park shall be applied to reduce the Kino pipeline liability on which the capital component of the Kino wheeling rate shall be calculate
- (4) 100% of the *Distribution capital costs/AF* component for paid billings from new customer connections to the Kino line shall be applied to reduce the Kino pipeline liability on which the capital component of the Kino wheeling rate shall be calculated
- (5) Amortization of the Kino capital cost will be based on a 25 year repayment period beginning 2/1/2000 at 5.25% interest

Calculation of liability:

Pipeline costs (as of 1/2000)	\$1,458,418
Pima Co %	50%
Pima Co Liability	<u>\$ 729,209</u>

Calculation of liability reductions:

- (a) As Pima County is billed and pays for Kino reclaimed water use, reductions will be applied as follows:

Kino reclaimed purchases (AF) X Capital cost/AF

The liability will be reduced for all paid Kino billings (AF) from 12/97 through 1/2000.

As Pima County is billed and pays for Kino reclaimed water use after 1/2000, reductions will be applied on the same basis until Pima County begins providing Reclaimed Water to the Kino facility.

- (b) As future reclaimed customers connect to the Kino pipeline additional liability reductions will be applied as follows:

New customer's actual annual paid usage (AF) X Distribution Capital cost/AF

The liability will be reduced for calculation of amortization for the remaining repayment period.

Calculation of Liability:

Beginning amount (50% of \$1,458,418)	\$ 729,209.00
Reduction for purchases through 1/2000:	
AF purchased 12/1997 to 1/2000	901
Capital Costs per AF (Exhibit A-2)	\$294.83
	<u>(S265,641.83)</u>
Balance as of 1/31/2000	<u>\$ 463,567.17</u>

Calculation of Kino capital component (as of 1/2000):

Annual Capital charge:	
\$463,567.17 capitalized for 25 years at 5.25%	\$33,720.18
Capital charge per acre foot	
Divided by 430 a.f. purchases	\$78.42
Adjusted Capital Component	<u>\$78.42</u>

If there is a remaining capital component of the Kino wheeling rate after the adjustments illustrated in Exhibit G-1 have been made over the years, this capital component will terminate January 31, 2025.

See Exhibit G-1 for examples of potential future reductions of the capital component of the Kino wheeling rate.

EXHIBIT G-1
To Supplemental IGA

Exhibit G-1
to Supplemental IGA

KINO PIPELINE — POTENTIAL FUTURE CAPITAL COMPONENT ADJUSTMENTS

Example of potential future capital component assuming Randolph deliveries 1/1/2002

Balance as of 1/31/2000		\$ 463,567.17
Estimated future reductions		
Calendar 2000 (11 months):		
Estimated purchases (AF) 2/2000 to 12/2000	405	
Capital Costs per AF (Attachment A)	\$294.83	
		<u>(\$119,406.15)</u>
Calendar 2001 (12 months)		
Estimated purchases (AF) 1/2001 to 12/2001	432	
Capital Costs per AF (Attachment A)	\$294.83	
		<u>(\$127,366.56)</u>
Estimated balance as of 12/31/2001		\$ 216,794.46
Capital charge per acre foot		
\$ 216,794.46 capitalized for 23 years at 5.25%	\$16,453.31	
Divided by 430 a.f. prior year purchases	\$38.26	
Adjusted Capital Component		<u>\$38.26</u>

Example of potential future capital component assuming additional connections in 2001

Balance as of 12/31/2001		\$ 216,794.46
New connections purchase 30 a.f. in 2001		
30 X \$294.83 = \$8,844.90		\$ 8,844.90
Adjusted liability balance		\$ 207,949.56
Capital charge per acre foot		
\$ 207,949.56 capitalized for 23 years at 5.25%	\$ 15,782.04	
Divided by 430 a.f. prior year purchases	\$ 36.70	
Adjusted Capital Component		<u>\$ 36.70</u>

11/25/04
11/2004