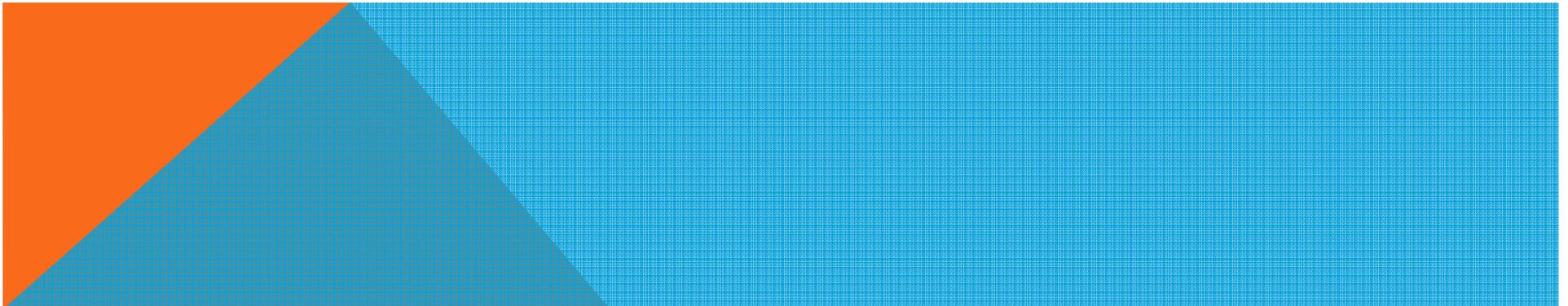




CITY OF GLOBE
CITY MANAGER'S OFFICE

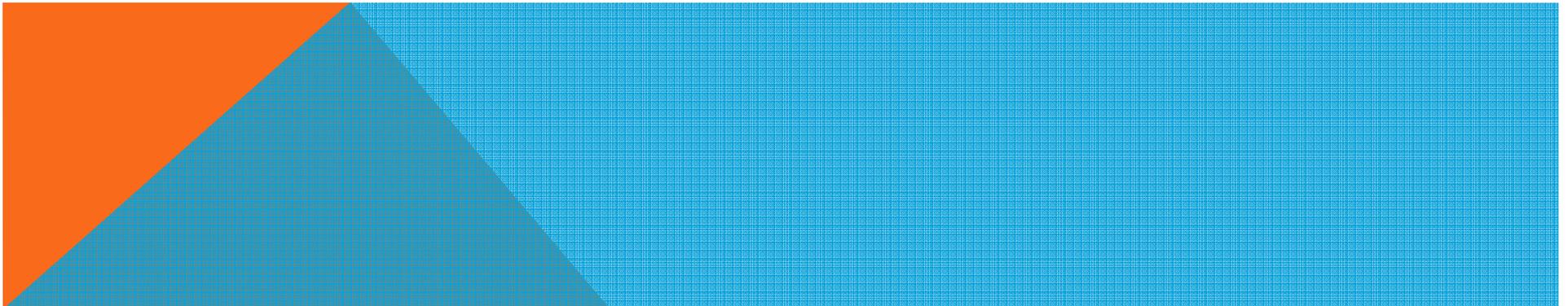
INSPIRATION COPPER AGREEMENT

- Background
- Legality of the 1983 Inspiration Agreement
- Value of Effluent
- City Research and Position
- Next Steps



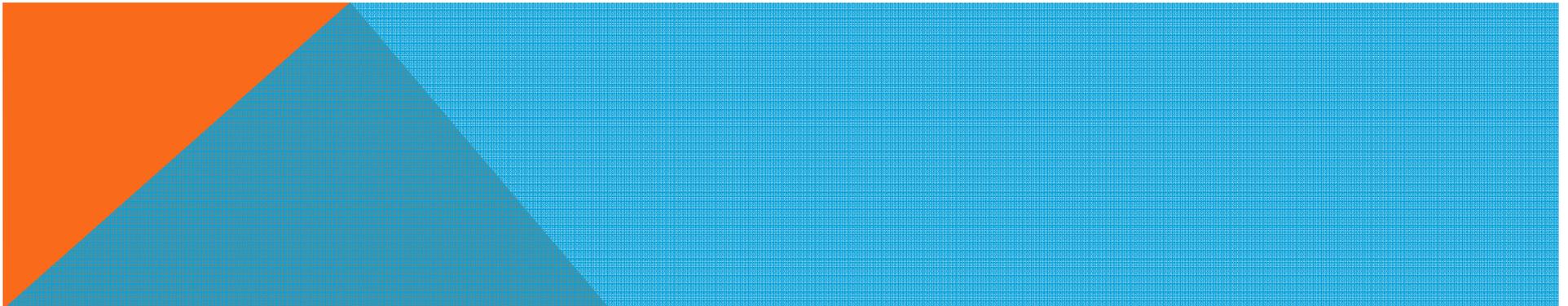
BACKGROUND

- Inspiration Copper Agreement (1983)
 - Now Freeport McMoran Copper and Gold
 - 30 Year term with 3 separate (10 year renewal options)
 - Aliso Wells/Easement
 - Pifer Well (\$1.00 per year)
 - Treated Effluent (\$1.00 per year)
 - 660,000 gal per day / 740 acre feet year



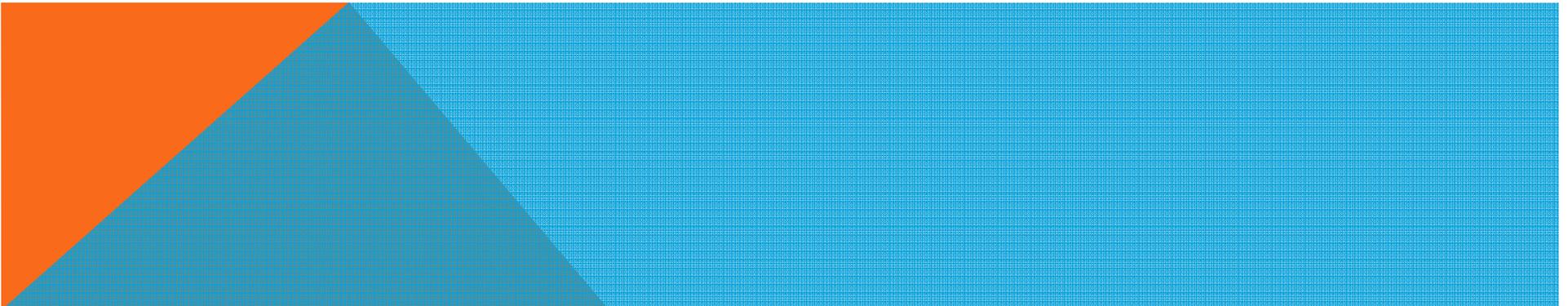
LEGALITY OF THE 1983 INSPIRATION AGREEMENT

- Turken v. Gordon
 - “Gift Clause”(Arizona Constitution, Article 15)
 - Value received v. consideration paid
 - Three renewal options
- Valuation Argument
 - Effluent is now valuable (+/- \$250/AF or \$185,000 yr.)
 - Aliso Wells are not usable (High Arsenic, Aliso #2 not a water well, San Carlos Agreement)
 - \$30.00 collected since 1983 (effluent sales)



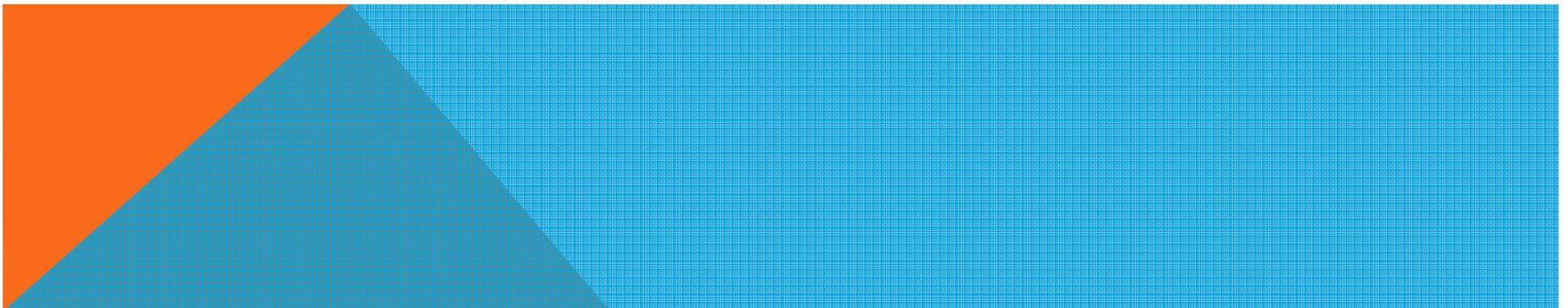
VALUE OF EFFLUENT

- Existing agreement (\$0.00162 AF)
- Valuation research (in acre feet)
 - 40% Globe potable rate (\$551)
 - Goodyear (\$537)
 - Phoenix (\$654 - \$1,290)
 - Flagstaff (\$391 - \$1,440)
 - EPCOR (\$251)
 - CAGR D Replenishment Rate (\$644)
- Great water demand at local mines
- Staff estimated value (+/- \$250 AF)



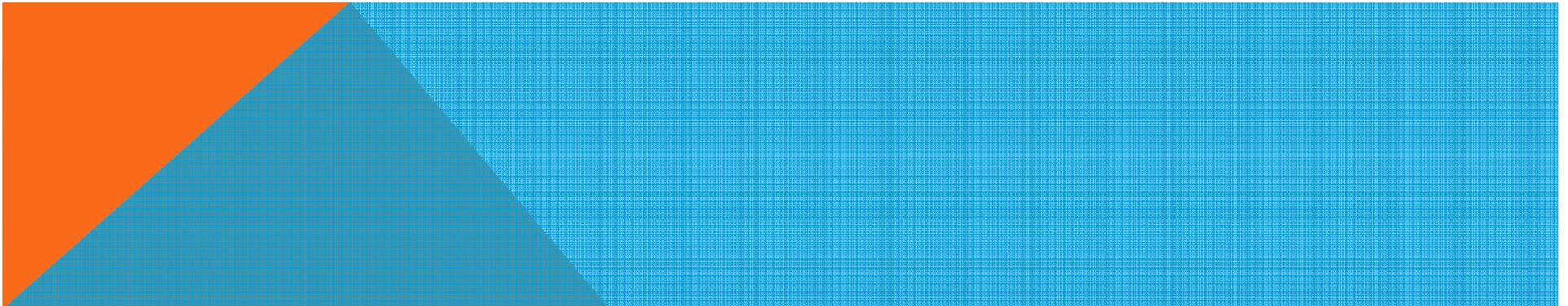
CITY POSITION AND PROCESS

- Received Intent to Renew from FMMI (June 2013)
- Notified FMMI of legal concerns (June 2013)
- Meetings held:
 - July 2013, September 2013, December 2013, April 2014, July 2, 2014, and July 10, 2014
- September 10, 2014 Effluent Valuation Memo
- December 2014 (City Attorney contacted FMMI re. litigation alternative)
- Meetings with FMMI headquarters staff (4) in 2015
- Impasse reached December 14, 2015



POTENTIAL NEXT STEPS

- Resolve legal concerns
 - Term
 - Valuation / payment
 - Termination
 - Use of Effluent
- Public Meetings / public involvement
- Legal process
 - Contract Litigator
 - Litigation



QUESTIONS?

