

ARIZONA WATER BANKING AUTHORITY

WEDNESDAY, JUNE 17, 1998

ARIZONA DEPARTMENT OF WATER RESOURCES

PLEASE PRINT

1	<p>NAME: JEFF JOHNSON</p> <p>REPRESENTING: SNWA</p>	<p>BUSINESS ADDRESS:</p> <p>ON FILE 1001 S. VALLEY VIEW BL LAS VEGAS NV 89153</p>	<p>ARE YOU ALREADY ON OUR MAILING LIST? YES</p>	<p>TEL: 702-258-3948</p> <p>FAX: 702-258-3951</p> <p>E-MAIL: Jeff.Johnson@lvwudc.com</p>
2	<p>NAME: ANDREW BURNS</p> <p>REPRESENTING: CRC/NV</p>	<p>BUSINESS ADDRESS:</p> <p>ON FILE 555 E. WASHINGTON AVE LAS VEGAS NV 89101</p>	<p>YES</p>	<p>TEL: 702-486-2673</p> <p>FAX: 702-486-2677</p> <p>E-MAIL:</p>
3	<p>NAME: WILLIAM VAN ALLEN</p> <p>REPRESENTING: NEW MAGMA IDD</p>	<p>BUSINESS ADDRESS:</p> <p>34630 N. SCHNEFF RD QUEEN CREEK AZ 85242</p>	<p>YES</p>	<p>TEL: 602-987-3461</p> <p>FAX: 987-0660</p> <p>E-MAIL:</p>
4	<p>NAME: KEVIN KISH</p> <p>REPRESENTING: PASCUA YAQUI</p>	<p>BUSINESS ADDRESS:</p> <p>7474 S. COMINO DE CESTE TUCSON AZ 85746</p>	<p>YES</p>	<p>TEL: 520-883-5000 EXT 5364</p> <p>FAX:</p> <p>E-MAIL:</p>
5	<p>NAME: MARK STRATTON</p> <p>REPRESENTING: METRO WATER DISTRICT</p>	<p>BUSINESS ADDRESS:</p> <p>7235 N PASEO DEL NORTE TUCSON AZ 85704</p>	<p>YES</p>	<p>TEL: 520-575-8100</p> <p>FAX: 520-575-8454</p> <p>E-MAIL:</p>
6	<p>NAME: BOB BARRETT</p> <p>REPRESENTING: CAP</p>	<p>BUSINESS ADDRESS:</p> <p>23636 N 7TH STREET PHOENIX AZ</p>	<p>YES</p>	<p>TEL: 869-2135</p> <p>FAX: 869-2678</p> <p>E-MAIL: RBARRETT@CAP-AZ.COM</p>
7	<p>NAME: HARRY RUZGERIAN</p> <p>REPRESENTING: MWDSC</p>	<p>BUSINESS ADDRESS:</p> <p>350 S GRAND AVE LOS ANGELES CA 90071</p>	<p>YES</p>	<p>TEL: 213-217-6082</p> <p>FAX:</p> <p>E-MAIL:</p>

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8	NAME: FRANK SAVINO REPRESENTING: TOWN OF PARKER	BUSINESS ADDRESS: PO BOX 609 PARKER AZ 85344	ARE YOU ALREADY ON OUR MAILING LIST?	TEL: 520-669-9265 FAX: 520-669-5247 E-MAIL:
9	NAME: MARK MYERS REPRESENTING: METRO WATER	BUSINESS ADDRESS: 5800 N CAMINO ARTURO TUCSON AZ 85718		TEL: FAX: E-MAIL:
10	NAME: DON POPE REPRESENTING: YUMA CO. WATER USER'S ASSOC	BUSINESS ADDRESS: ON FILE	YES	TEL: ON FILE FAX: E-MAIL:
11	NAME: JOHN HETRICK REPRESENTING: SRP	BUSINESS ADDRESS: ON FILE <i>PO BOX 52025 PHOENIX AZ 85072</i>	YES	TEL: <i>236-3649</i> FAX: <i>236-2159</i> E-MAIL:
12	NAME: TIM THOMPSON REPRESENTING: IWT	BUSINESS ADDRESS ON FILE <i>PO BOX 2610 SANTA BARBARA CA 93120</i>	YES	TEL: FAX: E-MAIL:
13	NAME: ALAN P. KLEINMAN REPRESENTING: BUREAU OF RECLAMATION	BUSINESS ADDRESS 500 DATE STREET BIYKDER CITY NV 89005	NO	TEL: 702-293-8081 FAX: E-MAIL:
14	NAME: BOB McCAIN REPRESENTING: AMWUA	BUSINESS ADDRESS ON FILE <i>4041 N. CENTRAL AVE #900 PHOENIX AZ 85012</i>	YES	TEL: ON FILE <i>248-8482</i> FAX: <i>248-8423</i> E-MAIL:

ARIZONA WATER BANKING AUTHORITY

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ARIZONA DEPARTMENT OF WATER RESOURCES

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15	NAME: BILL SULLIVAN REPRESENTING: MARTINEZ G. CURTIS P.C.	BUSINESS ADDRESS ON FILE 2712 N. 7TH ST PHOENIX AZ	ARE YOU ALREADY ON OUR MAILING LIST? YES	TEL: ON FILE 248 - 372 FAX: E-MAIL:
16	NAME: RAYMOND ROESSEL REPRESENTING: BUREAU OF INDIAN AFFAIRS - PHX OFFICE	BUSINESS ADDRESS ON FILE PO BOX 10 PHOENIX AZ 85001	YES	TEL: ON FILE FAX: E-MAIL:
17	NAME: JAN LANEY REPRESENTING: AZ STATE LAND DEPT.	BUSINESS ADDRESS 1616 W ADAMS ST PHOENIX AZ 85007	YES	TEL: 542-3500 FAX: 542-2671 E-MAIL: JLANEY@LAND.STATE.AZ.US
18	NAME: KATHY JACOBS REPRESENTING: TUCSON AMA	BUSINESS ADDRESS 400 W. CONGRESS, STE 518 TUCSON AZ 85701		TEL: 520 - 770 - 3800 FAX: 520 - 628 - 6759 E-MAIL:
19	NAME: PAUL ORME REPRESENTING: CAIDD/MSIDD	BUSINESS ADDRESS ON FILE HC 63, BOX 3042 MARIER AZ 86333	YES	TEL: 465 - 0445 FAX: 520 - 632 - 4344 E-MAIL: M: 309 - 4454
20	NAME: DENNIS RULE REPRESENTING: TUCSON WATER CO.	BUSINESS ADDRESS ON FILE PO BOX 27210 TUCSON AZ 85726	YES	TEL: 520 - 791 - 2666 FAX: 520 - 791 - 3293 E-MAIL: P: 218 - 3007
21	NAME: BARBARA GOLDBERG REPRESENTING: STEPTOE & JOHNSON	BUSINESS ADDRESS 40 N CENTRAL AVE PHOENIX AZ 85004	YES	TEL: 257-5283 FAX: 257-5299 E-MAIL:

ARIZONA WATER BANKING AUTHORITY

WEDNESDAY, JUNE 17, 1998

ARIZONA DEPARTMENT OF WATER RESOURCES

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22	NAME: JIM SWEENEY REPRESENTING: MWD	BUSINESS ADDRESS PO BOX 900 WADDELL AZ 85355	ARE YOU ALREADY ON OUR MAILING LIST? YES	TEL: FAX: E-MAIL:
23	NAME: KEVIN ADAM REPRESENTING: SENATOR McCAIN	BUSINESS ADDRESS 1839 S ALMA SCHOOL RD SE 375 MESA AZ 85210	YES	TEL: FAX: E-MAIL:
24	NAME: CHUCK CULLOM REPRESENTING: BOOKMAN-EDMONSTON	BUSINESS ADDRESS ON FILE 302 N. FIRST AVE STE 810 PHOENIX AZ 85003	YES	TEL: 258-0234 FAX: 258-2538 E-MAIL:
25	NAME: DAVID IWANSKI REPRESENTING: AGRI-BUSINESS COUNCIL OF AZ	BUSINESS ADDRESS 2406 S 24TH STREET, E-103 PHOENIX AZ 85034	YES	TEL: FAX: E-MAIL:
26	NAME: REPRESENTING:	BUSINESS ADDRESS		TEL: FAX: E-MAIL:
27	NAME: REPRESENTING:	BUSINESS ADDRESS		TEL: FAX: E-MAIL:
28	NAME: REPRESENTING:	BUSINESS ADDRESS		TEL: FAX: E-MAIL:



6/17/98

Summary of May 20 AWBA Meeting¹

I. Welcome/Opening Remarks

II. Minutes: The Authority approved the minutes from the May 20th Authority meeting.

III. Plan of Operation and Other Staff Activities

Tim Henley, Manager of the Water Banking Authority, discussed operation of the Bank and monthly water deliveries for May. Henley explained that in-lieu recharge numbers are relatively low because of the rainfall during the Spring. The Bank should “catch up” to projected levels over the summer.

- Future Recharge Partners

Two potential new direct recharge facilities may provide opportunities for the Bank in the future. Vidler Water Company is developing a site at MBT Ranch in La Paz County, and Arizona Public Service is researching possibilities at Bouse Wash. These potential new partners for the Bank would need to make presentations to the Authority before any agreements would be entered into.

- Facility Plan for Tucson AMA

Kim Kunasek, Technical Administrator for the Arizona Water Banking Authority, explained that Bank staff is working on the Facility Plan, which is required by law if the Facilities Inventory concludes that an AMA has insufficient water storage capacity. Staff is currently in the process of gathering data, meeting with the appropriate parties, and putting a preliminary draft together.

IV. Approval of FY 98-99 Budget

Tim Henley provided an overview of the Fiscal Year 1998-99 Water Bank budget. Henley discussed how the budget compared with the Plan of Operation. He also explained the carryover of funds and how different monies come into the Bank at different times of the fiscal year.

¹Please note that these are not formal minutes but a summary of discussion and action of the meeting. Official minutes are prepared prior the next month’s Authority meeting and are approved at that meeting.

Mr. Henley explained that at some point in the near future, the Bank will need a larger general fund appropriation from the Legislature. If the cost of water to the Bank goes up significantly, recharging water will become too costly, and much smaller amounts of water will be recharged as a result.

The Board adopted the Budget as presented.

V. Approval of 1997 Annual Report

Kim Kunasek provided the final version of the 1997 Annual Report and gave a brief overview of the sections contained therein. Arizona law requires the Bank to submit an annual report of the previous calendar year activities by July 1 each year.

The Board approved the Annual Report as submitted with any minor or technical changes.

VI. CAWCD Action on Four-Cent Tax and 1999 Pricing

Tim Henley summarized events from the last CAWCD Board meeting. The Board voted to make revenues from the four-cent tax available to the Bank in 1999 and also approved its new pricing. The CAWCD will charge the Bank \$43 per acre foot for excess CAP water in 1999.

VII. Presentation of Upper Santa Cruz CAP Utilization Feasibility Study

Allan Forrest made a presentation outlining the Upper Santa Cruz CAP Utilization Feasibility Study. Forrest explained that the purpose of the project is to bring CAP water to the Green Valley/Sahuarita area. He explained that there is a great deal of diverse water demand in the area, including municipal, agriculture, and mining. The objective of the project is to help the Tucson AMA meet its management goals. Forrest believes that the location of the proposed project is good for recharge within the AMA, and recovery potential is also very good. Potential partners are the CAWCD and the City of Tucson. Mr. Forrest explained that indirect recharge is a large component of the plan because of high demand in the agricultural sector.

Copies of a paper prepared for the presentation and accompanying maps were provided.

VIII. Update of the CAWCD/USBR Lawsuit and Settlement Negotiations

Grady Gammage, Jr. discussed the status of the lawsuit. He explained that the CAWCD Board intends to proceed "full speed ahead" with litigation.

Kim Kunasek updated the Authority on the USBR's Motion to Amend the Counterclaim, which, if granted by Judge Carroll, will allow the USBR to claim that the Bank is not permitted to purchase excess CAP water from the CAWCD.

IX. Negotiations with CAWCD re: Avra Valley Recharge Project

The Bank continues to negotiate the terms and format of a contract with the CAWCD for Bank water storage at the Avra Valley Recharge Project. Negotiations are near completion.

X. Study Commission Activities

Herb Dishlip of the ADWR updated the Authority on the Study Commission's activities. He explained that the subcommittee work has been completed. Mr. Dishlip reviewed the schedule of remaining full Study Commission meetings and the topics to be discussed at those meetings. The final report is due in November 1998.

XI. Interstate Activities

Rita Pearson stated that the seven basin states will meet in July.

Tim Henley updated the Authority on Salton Sea issues. He explained that the most recent amendment to the bill in the U.S. House of Representatives provides that only flood flows will be available to augment water supplies in the Salton Sea. The U.S. Senate is currently considering an amendment that reduces the project to a feasibility study.

IX. Call to the Public

The next meeting is July 15, 1998.

The meeting was adjourned at 11:00 a.m.

Arizona Water Banking Authority

500 North Third Street, Phoenix, Arizona 85004

Telephone 602-417-2418

Fax 602-417-2401

FINAL AGENDA

Wednesday, June 17, 1998

9:30 a.m.

Arizona Department of Water Resources

Third floor conference room

- I. Welcome / Opening Remarks
- II. Adoption of Minutes of May 20 Meeting
- III. Discussion of the 1998 Annual Plan of Operation and Staff Activities
- IV. Approval of FY 98/99 Budget
- V. Approval of 1997 Annual Report
- VI. CAP Action on 4¢ tax and 1999 Pricing
- VII. Presentation of Upper Santa Cruz CAP Utilization Feasibility Study
- VIII. Update of CAP/USBR Settlement Negotiation and Lawsuit
- IX. Discussion with CAWCD Regarding Recharge Agreements
- X. Update on Study Commission Activities
- XI. Update on Interstate Discussions
- XII. Call to the Public
- XIII. Adjournment

Future Meeting Dates:

Wednesday, July 15, 1998

Wednesday, August 19, 1998

Persons with a disability may request a reasonable accommodation, such as a sign language interpreter, by contacting the Arizona Water Banking Authority at (602) 417-2418 or (602) 417-2455 (T.D.D.). Requests should be made as early as possible to allow time to arrange the accommodation.

ARIZONA WATER BANKING AUTHORITY

Draft Minutes

May 20, 1998

Arizona Department of Water Resources



AUTHORITY MEMBERS
Rita P. Pearson, Chairman
Tom Griffin, Vice-Chairman
Bill Chase, Secretary
Grady Gammage, Jr.
Richard S. Walden

EX OFFICIO MEMBERS
Senator Pat Conner
Rep. Gail Griffin

Welcome / Opening Remarks

Vice-Chairman Tom Griffin opened the Arizona Water Banking Authority meeting. All members of the Authority were present except Rita Pearson, Senator Pat Conner and Representative Gail Griffin.

Adoption of Minutes of March 18 Meeting

The March 18 meeting minutes were adopted as submitted. There was no April Arizona Water Banking Authority (AWBA) meeting.

Discussion of the 1998 Annual Plan of Operation and staff activities

Tim Henley discussed water deliveries for the month of April. Approximately 8,900 af were recharged. Mr. Henley stated that the Bank planned to recharge another 20,000 af of water but water was not recharged at GRUSP, and some irrigation districts did not order as much water as previously anticipated due to the heavy rainfall. It is anticipated that 30,600 af should be recharged for the month of May. Recharge quantities will likely meet the Plan of Operation forecast despite the temporary decrease.

Mr. Henley explained that the Arizona Legislature passed the Omnibus Water Bill. The bill includes provisions relating to water exchanges, which should further assist the AWBA in getting back up to speed on water deliveries to GRUSP.

Mr. Henley stated that in June the AWBA staff will be presenting the Fiscal Year 1998-99 budget to the Arizona Water Banking Authority Members (Authority) for approval. Mr. Henley will distribute a draft report to the Authority prior to the June AWBA meeting.

Rich Siegel of SRP explained that the Salt River-Pima Maricopa Indian Community has some concerns over the operation of GRUSP and the water levels below the Salt River landfill. SRP is trying to work out an operating agreement with the Indian Community. Mr. Siegel stated that this could possibly impact SRP's ability to store the amount of water that was planned for 1998 at GRUSP.

Update of 1997 Water Banking Authority Annual Report

Kim Kunasek, Technical Administrator for the AWBA, provided a draft 1997 Annual Report and gave a brief overview of the sections contained in the report. Arizona law requires the AWBA to submit an annual report of the previous calendar year activities by July 1 each year.

Mr. Henley encouraged the Authority to make any suggestions or comments with respect to issues that should be included in the Annual Report.

Update of CAP/USBR Settlement Subcommittees

Grady Gammage Jr., President of the CAWCD and member of the Authority, updated the Authority on the settlement negotiation process. He described a letter from David Hayes of the Department of the Interior, which reiterated the federal government's position that it intends to make 240,000 af of additional water available for Arizona Indian tribes.

Mr. Henley commented that the AWBA's role in the settlement negotiations would involve firming non-Indian agricultural water to create additional priority supplies for settlement purposes. This involvement could expand the role of the AWBA because it implicates firming agricultural instead

of municipal and industrial water. The AWBA would likely not need additional statutory authorization to assist in the settlement of Indian water rights because the AWBA's enabling legislation includes as one of the four reasons for creating the Bank assisting in Indian water rights settlements .

Ms. Kunasek discussed a recent pre-trial hearing in the CAP/USBR lawsuit. At the hearing, the U.S. Bureau of Reclamation (USBR) explained that it intends to amend its counterclaim to argue that the CAWCD should not operate the CAP and that the CAWCD is not legally permitted to sell its excess water to the AWBA. Presiding Judge Carroll informed the USBR that it must file a motion for leave to amend its counterclaim. Judge Carroll explained that the AWBA may have to be joined as a party. The Judge set a trial date for August 4, 1998.

Mr. Walden remarked that if this lawsuit does take place, it challenges Arizona's right to its Colorado River water entitlement.

Dave Iwanski of AgriBusiness Council of Arizona asked what would happen if the USBR tried to proceed with the promulgation of final rules and regulations for storage off the Colorado River mainstem. He asked what impact this lawsuit will have on the AWBA with moving forward on the rules and regulations. Mr. Henley stated that he did not feel that it had any impact at all.

Discussion with CAWCD Regarding Recharge Agreements

Mr. Henley stated that the Pima Mine Road (PMR) direct recharge facility near Tucson recently went on line. Pima Mine is a demonstration project capable of storing approximately 10,000 af of water. The facility was dedicated on May 7, 1998. Rita Pearson, Grady Gammage Jr., AWBA and ADWR staff, numerous elected officials, and members of the public attended the dedication. The AWBA is scheduled to store about 5,000 af of water at PMR this year.

Mr. Henley explained that the AWBA continues to negotiate the terms and format of the contract with the CAWCD for AWBA water storage at the Avra Valley Recharge Project. Negotiations are near completion.

Update on Study Commission Activities

Herb Dishlip of the ADWR gave an overview of the Study Commission's activities. He explained that the subcommittee work has been completed. He explained that the process has been very helpful in identifying issues and assisting in the CAP/USBR settlement negotiations. The Study Commission concludes in November, when a final report will be issued.

Update on Interstate Discussions

Mr. Dishlip explained that development of California's 4.4 Plan is moving along slowly. The primary activity has been the agreement between San Diego Water Authority and San Diego Irrigation & Drainage District to enter into a water transfer agreement. The Agreement was signed in late April by both entities to phase in up to 200,000 af of conservation savings that would lead to a transfer of water to the San Diego County Water Authority. This agreement contains a provision to add an additional 100,000 af after ten years.

Mr. Dishlip continued by saying that Arizona officials met with California officials in April, but Arizona found California's level of preparation somewhat discouraging. Because 1999 will be another Colorado River surplus year, some of the pressure that would otherwise be on California to quickly get in compliance is unfortunately lessened.

Mr. Henley also stated that in California there is an effort to put together a bill that would look at the Salton Sea Restoration, known as the Sonny Bono Memorial Restoration Act. This bill is currently going through Congress. The AWBA is paying close attention to this bill as it could impact uses or availability of water within the lower basin of the Colorado River.

Mr. Henley updated the Authority on the proposed federal rules and included a chart containing comments by topic covered in the proposed rules. Because so many parties submitted comments, many of the comments are directly contradictory. There were also 25 comments on the programmatic environmental assessment prepared by the federal government.

Call to the Public

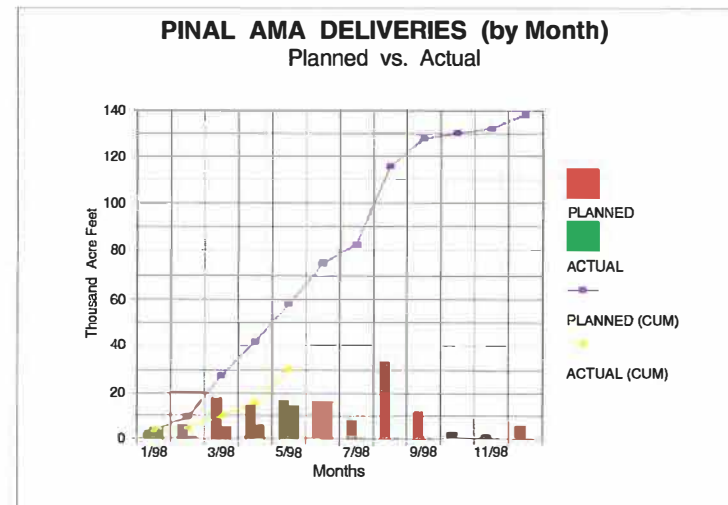
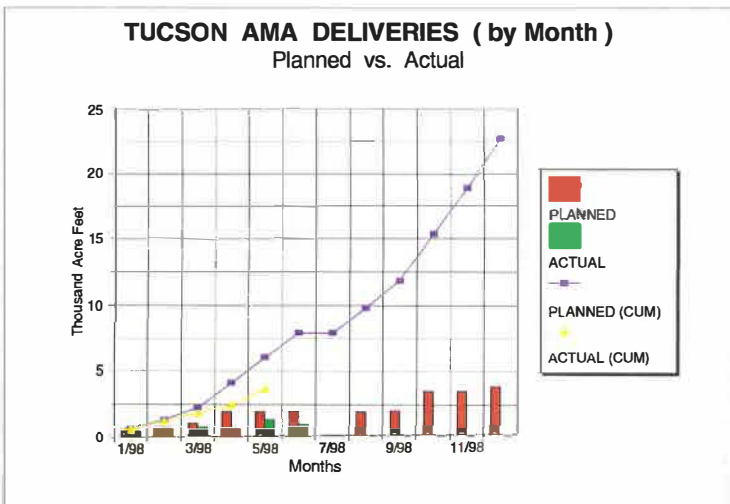
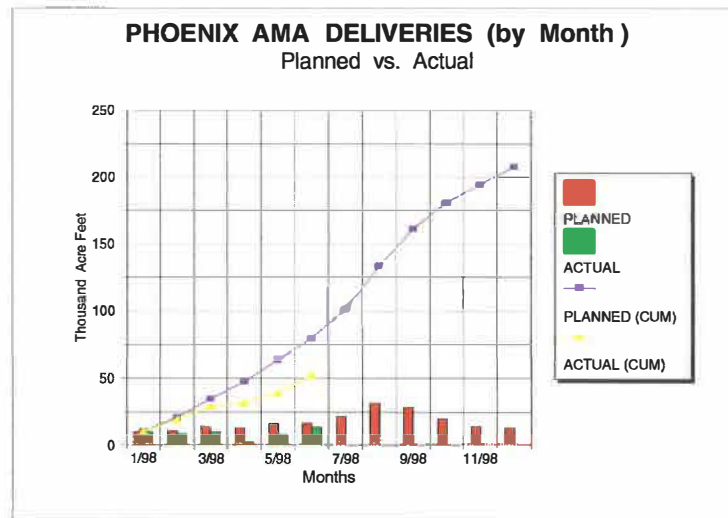
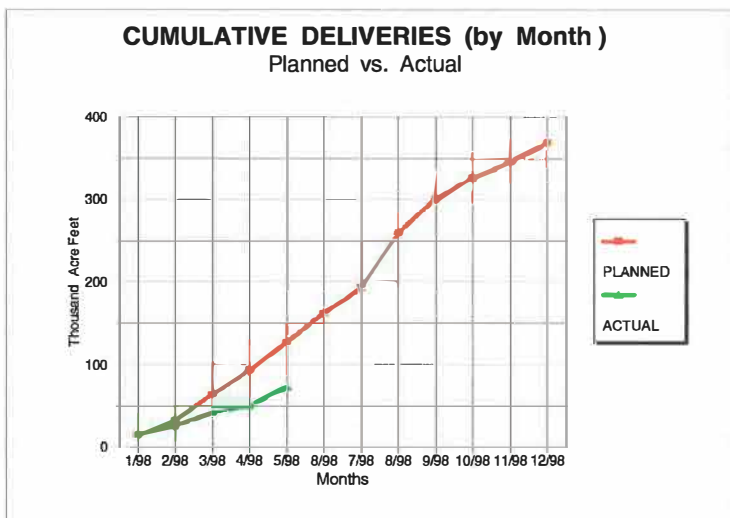
Alan Forrest of the Community Water Company of Green Valley delivered a letter to the Authority regarding a site project called the "Sahuarita-Green Valley Area Central Arizona Project Water use Feasibility Analysis and Delivery System Optimization Study." The study is investigating the feasibility of bringing CAP water from the CAP aqueduct terminus to water users in the Green Valley-Sahuarita area. Mr. Forrest asked the AWBA to consider the results of the study before developing any long term plans for incorporating groundwater savings projects into AWBA operations. The study will be complete in August.

Mr. Henley suggested that the steering committee of this project make a formal presentation to the Authority at the next meeting in June. He also explained that this would enable all parties to consider any effects on the Facility Plan.

Bob McCain of AMWUA raised his concern regarding the potential effect of certain portions of the Third Management Plan on recharge sites because the Plan is likely to change the siting criteria for recovery wells.

Vice-Chairman Griffin adjourned the meeting at 10:45 a.m.

1998 PLAN OF OPERATION



1998 PLAN OF OPERATION BY ENTITY

Actual deliveries updated 11-Jun-98

	jan	feb	mar	apr	may	jun	total	
Phoenix AMA								
GRUSP	8,032	8,551	5,284	0	5,237	7,200	34,304	GRUSP
RWCD	0	0	0	0	0	0	0	RWCD
NMIDD	2,233	286	2,247	0	0	3,500	8,266	NMIDD
QCID	0	0	0	0	0	0	0	QCID
MWD	0	0	2,373	2,399	2,701	2,588	10,061	MWD
CHCID	0	0	0	0	22	0	22	CHCID
TID	0	0	0	0	0	50	50	
Subtotal	10,265	8,837	9,904	2,399	7,960	13,338	52,703	
Pinal AMA								
CAIDD	0	0	0	0	0	0	0	CAIDD
MSIDD	2,430	0	0	0	8,792	9,350	20,572	MSIDD
HIDD	1,819	708	5,284	5,905	6,901	6,890	<u>27,507</u>	HIDD
Subtotal	4,249	708	5,284	5,905	15,693	16,240	48,079	
Tucson AMA								
Avra Valley	0	0	0	0	0	850	850	Avra Valley
CAVSARP	531	579	576	597	600	420	3,303	CAVSARP
Pima Mine	0	0	100	0	0	0	100	Pima Mine
Lower Santa Cruz	<u>0</u>	0	0	0	0	0	<u>0</u>	L. Santa Cruz
Subtotal	531	579	676	597	600	1,270	4,253	
TOTAL	15,045	10,124	15,864	8,901	24,253	30,848	105,035	

Attachment 1997-1

ARIZONA WATER BANKING AUTHORITY
(FY 1997 - July 1996 thru June 1997)

	<u>Budget</u>	<u>Actual</u>
FY 1997 ADMINISTRATIVE EXPENDITURES	\$274,350	\$272,352
FY 1997 WATER RECHARGE EXPEDITURES	\$4,384,400	\$4,225,725
TOTAL FY 1997 W B A EXPENDITURES	\$4,658,750	\$4,498,077
<hr/>		
TOTAL EXPECTED REVENUES	\$7,861,000	\$8,128,625
CARRYOVER / (DEFICIT) from PREVIOUS YEARS	\$0	\$0
TOTAL REVENUES AVAILABLE	\$7,861,000	\$8,128,625
<hr/>		
FY 1997 CARRYOVER / (DEFICIT)	\$3,202,250	\$3,630,548

Attachment 1998-1

ARIZONA WATER BANKING AUTHORITY
(FY 1998 - July 1997 thru June 1998)

	<u>Budget</u>	<u>Actual</u>
FY 1998 ADMINISTRATIVE BUDGET	\$464,090	\$298,018
FY 1998 WATER RECHARGE BUDGET	\$10,300,000	\$7,356,421
TOTAL FY 1998 WATER BANKING AUTHORITY BUDGET	\$10,764,090	\$7,654,439
<hr/>		
TOTAL EXPECTED REVENUES	\$12,033,000	\$13,087,000
CARRYOVER / (DEFICIT) from PREVIOUS YEARS	\$3,202,250	\$3,630,548
TOTAL REVENUES AVAILABLE	\$15,235,250	\$16,717,548
<hr/>		
FY 1998 CARRYOVER / (DEFICIT)	\$4,471,160	\$9,063,109

Attachment 1999-1

ARIZONA WATER BANKING AUTHORITY
(FY 1999 - July 1998 thru June 1999)

FY 1999 ADMINISTRATIVE BUDGET	\$418,590
FY 1999 WATER RECHARGE BUDGET	\$13,545,000
TOTAL FY 1999 WATER BANKING AUTHORITY BUDGET	\$13,963,590
<hr/>	
TOTAL EXPECTED REVENUES	\$13,538,600
CARRYOVER / (DEFICIT) from PREVIOUS YEARS	\$9,063,109
TOTAL REVENUES AVAILABLE	\$22,601,709
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FY 1999 CARRYOVER / (DEFICIT)	\$8,638,119

ARIZONA WATER BANKING AUTHORITY

FY 1999 ADMINISTRATIVE BUDGET**\$418,590**

STAFFING

	Total FTE	Cost
Department of Water Resources Cost of Services		\$254,214
Personnel Services	3.5	\$174,876
Water Bank Manager		
Water Bank Technical Administrator		
Administrative Assistant		
Attorney		
Employee Related Expenditures (at 21.14% of Personnel Services)		\$36,969
Indirect Cost (at 20.00% of Personnel Service & ERE)		\$42,369
Central Arizona Project Cost of Services		\$45,500
Personnel Services & ERE	0.5	\$45,500
Water System Engineer		
Customer Service Coordinator		
Hydrologist		
Administrative Support		
Subtotal Staffing		\$299,714

OTHER COSTS

Professional & Outside Services			\$100,000
Outside legal services to assist in development of Interstate Agreements			
Travel			\$12,316
Instate Travel			\$10,216
Out of State Travel			\$2,100
Other Operating Expenses			\$6,560
Standard per employee	3.5	\$820	\$2,870
Postage			\$1,890
Paper		Included under indirect cost	\$0
Miscellaneous			\$1,800
Equipment			\$0
No major equipment purchases are anticipated in FY 1999			\$0
Subtotal Other Costs			\$118,876

ARIZONA WATER BANKING AUTHORITY

FY 1999 WATER RECHARGE BUDGET**\$13,545,000**

Cost Assumptions

Cost of Water			
CAP	(Cost of energy plus \$15.00 towards Fixed O&M)		\$43
Direct Recharge	(Cost for using direct recharge facilities)		
	GRUSP		\$14.00
	Avra Valley		\$15.00
	Aqua Fria		\$10.00
	Pima Mine Road		\$10.00
	Lower Santa Cruz		\$20.00
	CAVRP		\$14.00
Cost Recovery for In-lieu Recharge			
	(50% cost recovery from in-lieu partners)		\$21

Water Purchases and Recharge (July 1998 thru June 1999)

	Amount (acre feet)	Cost / acre foot	Total
CAP DELIVERY COST			\$11,740,000
In-Lieu Deliveries	260,000	\$22	\$5,720,000
Direct Deliveries	140,000	\$43	\$6,020,000
DIRECT FACILITY USE CHARGE			\$1,805,000
GRUSP	60,000	\$14.00	\$840,000
Avra Valley	5,000	\$15.00	\$75,000
Aqua Fria	50,000	\$10.00	\$500,000
Pima Mine Road	5,000	\$10.00	\$50,000
Lower Santa Cruz	10,000	\$20.00	\$200,000
CAVRP	10,000	\$14.00	\$140,000
Total FY 1999	400,000	\$29	\$13,545,000

REVENUES AVAILABLE for FY 1999 RECHARGE**\$13,538,600**

4 cent TAX		\$7,090,000
Maricopa		\$6,000,000
Pinal		\$230,000
Pima		\$860,000
Withdrawal Fee	(Estimated for 1998 pumping)	\$4,280,000
Phoenix AMA		\$2,600,000
Pinal AMA		\$1,000,000
Tucson AMA		\$680,000
General Fund Appropriation	(Potentially available July 1, 1998)	\$2,000,000
Interest	(Estimate)	\$168,600

Attachment 2000-1

ARIZONA WATER BANKING AUTHORITY
(FY 2000 - July 1999 thru June 2000)

FY 2000 ADMINISTRATIVE BUDGET	\$398,800
FY 2000 WATER RECHARGE BUDGET	\$16,750,000
TOTAL FY 2000 WATER BANKING AUTHORITY BUDGET	\$17,148,800
<hr/>	
TOTAL EXPECTED REVENUES	\$11,468,600
CARRYOVER / (DEFICIT) from PREVIOUS YEARS	\$8,638,119
TOTAL REVENUES AVAILABLE (Without General Fund)	\$20,106,719
<hr/>	
FY 2000 CARRYOVER / (DEFICIT)	\$2,957,919

ARIZONA WATER BANKING AUTHORITY

FY 2000 ADMINISTRATIVE BUDGET**\$398,800****STAFFING**

	Total FTE	Cost
Department of Water Resources Cost of Services		\$257,664
Personnel Services	3.5	\$176,000
Water Bank Manager		
Water Bank Technical Administrator		
Administrative Assistant		
Attorney		
Employee Related Expenditures (at 22.00% of Personnel Services)		\$38,720
Indirect Cost (at 20.00% of Personnel Service & ERE)		\$42,944
Central Arizona Project Cost of Services		\$47,000
Personnel Services & ERE	0.5	\$47,000
Water System Engineer		
Customer Service Coordinator		
Hydrologist		
Administrative Support		
Subtotal Staffing		\$304,664

OTHER COSTS

Professional & Outside Services		\$75,000
Travel		\$13,366
Instate Travel		\$10,966
Out of State Travel		\$2,400
Other Operating Expenses		\$5,770
Standard per employee	3.5	\$820
Postage		\$1,800
Paper		\$0
Miscellaneous		\$1,100
Equipment		\$0
No major equipment purchases are anticipated in FY 2000		\$0
Subtotal Other Costs		\$94,136

ARIZONA WATER BANKING AUTHORITY

FY 2000 WATER RECHARGE BUDGET**\$16,750,000**

Cost Assumptions

Cost of Water			
CAP	(Cost of energy plus \$15.00 towards Fixed O&M)		\$50
Direct Recharge	(Cost for using direct recharge facilities)		\$15
Cost Recovery for In-lieu Recharge			
	(50% cost recovery from in-lieu partners)		\$22
Water Purchases and Recharge (July 1999 thru June 2000)			
	Amount (acre feet)	Cost / acre foot	Total
Direct Recharge	150,000	\$65	\$9,750,000
In-lieu Recharge			\$7,000,000
Cost of Water	250,000	\$50	\$12,500,000
(-) Cost Recovery	250,000	\$22	(-) \$5,500,000
Total FY 1999	400,000	\$42	\$16,750,000

REVENUES AVAILABLE for FY 2000 RECHARGE**\$11,468,600**

4 cent TAX		\$7,100,000
Maricopa		
Pinal		
Pima		
Withdrawal Fee	(Estimated for 1999 pumping)	\$4,200,000
Phoenix AMA		
Pinal AMA		
Tucson AMA		
General Fund Appropriation	(Potentially available July 1, 1998)	?
Interest	(Estimate)	\$168,600

Arizona Water Banking Authority

Annual Report

1997



Submitted
July 1, 1998

Arizona Water Banking Authority

Annual Report 1997

Honorable Jane Dee Hull
Governor of Arizona

Members

Rita P. Pearson
Chairman

Tom Griffin
Vice-chairman

Bill Chase
Secretary

Grady Gammage, Jr.
Member

Richard S. Walden
Member

Ex officio
Senator Pat Connor
Representative Gail Griffin

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Arizona Water Banking Authority
500 North Third Street, Phoenix, Arizona 85004
Telephone 602-417-2418
Fax 602-417-2401



June 11, 1998

AUTHORITY MEMBERS
Rita P. Pearson, Chairman
Tom Griffin, Vice-Chair
Bill Chase, Secretary
Grady Gammage, Jr.
Richard S. Walden

EX OFFICIO MEMBERS
Senator Pat Conner
Representative Gail Griffin

The Honorable Jane Dee Hull
Governor of Arizona
1700 West Washington Street
Phoenix, Arizona 85007

Dear Governor Hull,

Enclosed is the second Annual Report describing the operation of the Arizona Water Banking Authority for calendar year 1997 which has been prepared in compliance with Arizona Revised Statutes section 45-2426 (Supp. 1997). The report includes the amount of water stored by the Authority, an accounting of all monies expended from the banking fund and remaining funds available to the Authority. The Report also provides background information on the Authority and an overview of significant achievements over the past year.

During calendar year 1997, the Authority staff was involved in extensive Study Commission meetings to discuss and prepare recommendations for future opportunities for the Authority, including assisting with Indian water rights settlements and inter/intrastate water banking and marketing. One of the most significant developments for the Bank in 1997 was the United States Bureau of Reclamation's publication of a proposed federal rule (modeled after Arizona's Water Bank) governing interstate water banking, which is the first step to enabling the Bank to recharge water in Arizona for Nevada and possibly California.

The Authority recharged approximately 330,000 acre feet of water in 1997 through indirect recharge with eight irrigation districts as partners and through direct recharge at three underground storage facilities. The Authority expects to add new irrigation district partners and to store water at additional underground storage facilities in 1998.

1997 was a highly successful year for the Water Bank. I am extremely proud of its accomplishments in its first full year in operation and am confident that the Bank will continue to fulfill Arizona's important water policy goals.

Sincerely,

Rita P. Pearson, Chairman
Arizona Water Banking Authority



Message from the Chairman of the Arizona Water Banking Authority

I am pleased to be provided with the opportunity to comment on the progress and the future of the Arizona Water Banking Authority.

1997 has been a tremendous year for the Water Bank. The Bank has continued to recharge water that would have otherwise gone unused by Arizona and at the same time replenishing aquifers and providing surface water alternatives to groundwater pumping. The Bank acquired new indirect recharge partners and began storing water at direct recharge facilities in the Phoenix and Tucson Active Management areas. All in all, the Bank recharged more than 325,000 acre feet of water in 1997.

Arizona is unique in that no other state has a Water Bank such as ours. The Bank's main goal is to "firm" water supplies for municipal and industrial users in central and southern Arizona for potential future water shortages, but the Water Bank has several other important goals.

First, the Water Bank assists Arizona in meeting the objectives of the 1980 Groundwater Management Code by replenishing depleted groundwater aquifers. Recharge by the Water Bank helps prevent the serious effects of groundwater overdraft, including subsidence, earth fissures, migration of contaminants, increased pumping costs, depleted water tables, and impacts to riparian habitats. Second, the Water Bank has the opportunity to assist in the settlement of Indian water rights claims. Credits earned by the Water Bank can provide another pool of water to be used in Indian water rights settlements. Third, the Water Bank facilitates water exchanges to assist Colorado River communities in firming their water supplies by exchanging credits for surface water in times of drought. Finally, the Water Bank can contract in the future with similar authorities in the other Lower Basin states, California and Nevada, to allow these states to annually acquire a portion of Arizona's temporary surplus of Colorado River water.

The Bank has made great strides toward achieving all of these goals. At the end of 1997, the United States Department of the Interior released its draft interstate water banking rules which will enable Arizona to store excess Colorado River water for Nevada and California. The Bank prepared extensive comments on the rules, and when the federal government finalizes the rule, expects to commence interstate water banking.

The Water Bank reflects Arizona's commitment to sound water policy. The Water Bank provides Arizonans with added peace of mind that they will maintain their high quality of life well into the future.

Arizona Water Banking Authority *Annual Report Requirement*

Arizona Revised Statutes section 45-2426 provides that the Arizona Water Banking Authority (AWBA) must file an Annual Report each year. The report must be submitted to the Governor of Arizona, President of the Arizona Senate, and Speaker of the Arizona House of Representatives on or before July 1 of each year and must contain a full and complete account of its transactions and proceedings for the preceding calendar year. The report must contain all of the following:

- An accounting of all monies expended from the banking fund.
- An accounting of all monies in the banking fund remaining available to the Authority.
- The amount of water stored by the Authority.
- The number of long-term storage credits distributed or extinguished by the Authority.
- The purposes for which long-term storage credits were distributed or extinguished by the Authority.
- Any other matter determined by the Authority to be relevant to the policy and purposes of this chapter.

In 1997, the statute was amended so that the Annual Report would reflect the activity of the previous calendar year (January to December) rather than the fiscal year (July to June).

Arizona Water Banking Authority

Members

Authority membership was unchanged in 1997 except for two new *ex officio* members. By statute, the President of the Arizona Senate and the Speaker of the Arizona House of Representatives each appoints one legislator as a non-voting member of the Authority. Information on the two new *ex officio* members of the Authority appears below.

THE HONORABLE PAT CONNER - Senator Conner was appointed as an *ex officio* member of the Arizona Water Banking Authority by Senate President Brenda Burns in October 1997. Senator Conner is involved in real estate and investments in the Yuma area and owns Soft Cloth Car Washes. Senator Conner was elected to the Arizona State Senate in January 1997. He served in the House of Representatives from 1993-96. Mr. Conner previously served on the Yuma County Board of Supervisors 1984-92. Mr. Conner is currently serving on the Appropriations Committee, Commerce & Economic Development Committee (as Vice Chairman), Judiciary Committee, and Natural Resources, Agriculture & Environment Committee (Chairman). Senator Conner is a native of Arizona and attended Arizona Western College and University of Arizona, and graduated from ASU with a business major in 1968. He served with the National Guard from 1968 through 1972.

THE HONORABLE GAIL GRIFFIN¹ - Ms. Griffin represents District 8 in the Arizona House of Representatives. Ms. Griffin serves as co-chairman of the State Natural Resources and Agriculture committee and as a member of the Commerce, Environment and Government Operations committees. She also serves on three national committees; Vice Chair of the Environment Committee and as member of the Education Committee of the National Conference of State Legislators (NCSL), and the Environment Committee of the "American Legislative Exchange Council" (ALEC). Ms. Griffin is also a member of the Western States Coalition, Arizona/New Mexico Coalition of Counties, Society for Environmental Truth, People for the West, The Arizona Town Hall, the Sierra Vista Sunrise Rotary Club, and a graduate of Project Central (Rural Leadership program, University of Arizona), Arizona's Housing Commission, Arizona Water Protection Fund, and the Rural Business Incubator Advisory Board. Ms. Griffin has lived in Arizona for almost 30 years and is a licensed real estate broker at Sierra Vista Realty and has been in the real estate profession for 23 years.

"Quote by Rep. Griffin . . ."



"It has been great for me as an ex officio member to see what the Water Banking Authority has accomplished in furthering water storage efforts in the active management areas of the state and in looking for ways to secure and store future water supplies for rural areas. As a participant in the passage of the legislation that created the Water Banking Authority, I can honestly say that the Authority has exceeded original legislative expectations."

- Senator Pat Connor, *Ex officio* Member

¹Representative Bill McGibbon was the *ex officio* member from the Arizona House of Representatives until October 1997. Representative Griffin replaced Representative Bill McGibbon when the new Speaker of the House was named in October 1997.

Arizona Water Banking Authority

Rita P. Pearson
Chairman

Tom Griffin
Vice-Chairman

Bill Chase
Secretary

Grady Gammage, Jr.
Member

Dick Walden
Member

Ex Officio
Senator Pat Conner
Representative Gail Griffin

Tim Henley
Manager

Kim Kunasek
Technical Administrator

Nan Flores
Administrative Assistant

The Arizona Water Banking Authority

History and Overview

Balancing the tremendous water, power, and recreational demands placed on the Colorado River while providing needed flood control is a growing burden as demand on the system increases. The Colorado River was first allocated by the Colorado River Compact of 1922. The Compact apportioned 7.5 million acre feet (maf) of Colorado River water to both the Upper Basin (Wyoming, Colorado, Utah, and New Mexico) and the Lower Basin (Arizona, Nevada, California). Although the seven basin states signed the Compact, Arizona chose not to ratify it because it did not specifically quantify Arizona rights to the Colorado River.

In 1928 the United States Congress enacted the Boulder Canyon Project Act (BCPA), approving the substance of the Colorado River Compact with more specificity. The BCPA allocated the 7.5 maf Lower Basin allocation annually to Arizona, Nevada, and California in the following amounts:

<u>Nevada:</u>	300,000 af plus 4 % of any surplus
<u>Arizona:</u>	2.8 maf plus 46% of any surplus
<u>California:</u>	4.4 maf plus 50% of any surplus

For over 70 years, Arizona leaders have worked to ensure that Arizona's communities have dependable long-term water supplies. From securing the state's fair share of Colorado River water and gaining Congressional authorization of the Central Arizona Project (CAP) to crafting the 1980 Groundwater Management Code, their foresight and planning has provided the water supply that serves our growing communities and maintains our quality of life. During the 1996 legislative session, Governor Symington and the State Legislature continued the tradition by creating the Arizona Water Banking Authority (AWBA).

Until the AWBA was created, Arizona did not use its full 2.8 million acre foot (maf) share of Colorado River water. Without the AWBA, Arizona would not have used its full allocation until the year 2030. During that interim period, the accumulated amount of water left in the Colorado River would have amounted to approximately 14 million acre feet. Most of that water would have gone to southern California.

Leaving a portion of Arizona's water in the Colorado River was a lost opportunity. The AWBA seizes this opportunity and gives Arizona the capability to further secure the dependable water supplies necessary to ensure the state's long-term prosperity.



"The staff and Board of the Arizona Water Bank must be commended for exceeding the original goals set forth by the Arizona Legislature. They have and will continue to have a profound effect on Arizona's water future."

- Tom Griffin, Vice-Chairman

The AWBA was created to store unused Arizona Colorado River water to meet future needs for:

- (1) Assuring adequate supply to municipal and industrial users in times of shortages or disruptions of the CAP system;
- (2) Meeting the management plan objectives of the Arizona Groundwater Code;
- (3) Assisting in the settlement of Indian water rights claims; and
- (4) Exchanging water to assist Colorado River communities.

The AWBA is an institution that will guide Arizona water planning into the next century. By storing substantial amounts of water in central Arizona, the AWBA safeguards against future shortages on the CAP system, assists in meeting the goals of the Groundwater Code, and aids neighboring states without harming Arizona. The AWBA is Arizona's "water savings account" that ensures that the water supplies future generations inherit from us are just as secure as those we inherited.

How the Water Bank Works

Each year, the Water Bank pays the delivery and storage costs to bring Arizona's unused Colorado River water into Central and Southern Arizona through the Central Arizona Project. The water is stored underground in existing aquifers ("direct recharge") or is used by irrigation districts in lieu of pumping groundwater ("indirect recharge" or "in lieu recharge"). For each acre foot stored, the Water Bank accrues a credit that can be redeemed in the future when Arizona's communities need this backup water supply.

Key Benefits of Water Banking

Drought Protection

The AWBA protects communities dependent on the CAP by providing a stored reserve of water that can be tapped in future times of drought on the Colorado River.

Enhanced Water Management

The AWBA provides the ability to replenish depleted groundwater aquifers with CAP water, thereby helping Arizona meet its groundwater management goals and objectives.



"Water banking in Arizona marks the beginning of a new era in the water history of the West. With the initiation of the AWBA, Arizona is taking its total allocation of Colorado River water, which will benefit future generations of Arizonans sooner than later."

-Dick Walden, Member

Indian Water Rights Settlements

Indian tribes in Arizona have significant claims to water rights. Often the affected parties negotiate settlements to resolve these claims. The AWBA provides another pool of water to be used in settlements. For instance, credits for stored groundwater can be transferred to a tribe as a component of a settlement.

Statewide Benefit

Arizona communities along the Colorado River can also benefit. For example, cities in Mohave County may acquire credits through the AWBA for water stored in central Arizona and redeem those credits by diverting water directly from the Colorado River.

Interstate Water Transfers

The AWBA could contract with similar authorities in California and Nevada to allow these states to annually acquire a portion of Arizona's temporary surplus of Colorado River water. The contracting state would pay to store water in Arizona, helping to replenish Arizona's aquifers, and in the future would be able to draw a similar quantity directly from the Colorado River. The program does not involve the sale of any future rights to water, only a specific quantity of unused water. Recently promulgated Department of the Interior rules set forth the federal requirements for interstate water banking.

Water Bank Funding

Much of the money comes from existing revenue sources and from fees that are charged to those benefiting directly from the stored water. Sources of money include:

- Fees for groundwater pumping currently collected within the Phoenix, Pinal, and Tucson Active Management Areas (AMAs). In the Phoenix AMA, Tucson AMA, and most areas of the Pinal AMA, pumping fees for water banking purposes are \$2.50 per acre foot. For groundwater pumping in areas of the Pinal AMA not served by the CAP, the \$2.50 fee phases in over seven years. *Money from this source must be used for the benefit of the Active Management Area in which it was collected.*
- The CAP is authorized to levy a four cent *ad valorem* property tax in the CAP service area to pay for water storage. To help finance the AWBA's efforts, the tax will be extended through 2016 and revenues will be deposited in the Fund. The CAP retains the option to use this money for capital repayment of the CAP if necessary. The CAP determined that it did



"I am very pleased with the amount of water banked to date. I would like to see more emphasis on the development of the Agua Fria recharge project and increased direct recharge in Maricopa County."

- Bill Chase, Secretary

- not require these funds for its purposes in 1997, so approximately \$8 million were deposited into the Water Banking Fund for the purchase of water for storage. *Money from this source must be used to benefit the county in which it was collected.*
- A general fund appropriation based on the level of water storage the amount the Arizona Legislature and Governor believe to be appropriate. The 1997 appropriation amounted to \$2 million. *Water stored with these funds may be used to assist communities along the Colorado River, to help the State meet its water management objectives, or as a component of an Indian water rights settlement.*
- Fees collected from the sale of stored water credits used for drought protection. Fees are charged only if the credits were originally paid for with general fund money.
- Money collected from out-of-state interests for water stored on their behalf.

Future Opportunities for the Water Bank

When it created the AWBA, the Arizona Legislature created a Study Commission to investigate opportunities for additional water banking uses, identify mechanisms to encourage participation in the program by Indian communities with rights to Colorado River water, and review the first year of the AWBA's operation. The Study Commission consists of the AWBA members and two *ex officio* members plus nine people appointed by the Director of the ADWR. The ADWR is responsible for staffing of the Study Commission with the AWBA's assistance.

The Study Commission has completed a comprehensive Interim Report containing research findings, conclusions, and recommendations regarding the issues it considered. The final report is due in November 1998.

Update on the Water Bank

The AWBA has been working diligently to carry out its mission to take the formerly unused portion of Arizona's Colorado River allotment and recharge the water in Arizona to develop long-term storage credits for future use. This recharge by the AWBA is not meant as a substitute for existing uses or storage of Colorado River water by entities in Arizona but as a means of utilizing Colorado River water that would otherwise go unused by Arizona.

The AWBA holds monthly meetings at the ADWR to keep the public apprised of its progress and has held additional meetings with entities interested in potential direct or in-lieu recharge.



“Quote by Grady . . .”

Representatives from California and Nevada have attended several of these AWBA meetings, and interstate water banking continues to be a topic of discussion.

The AWBA members and staff meet annually with all current and potential recharge entities in developing the Annual Plan of Operation. These entities include the Salt River Project (SRP), the CAP, and all permitted irrigation districts in Maricopa, Pinal, and Pima counties. All potential recharge opportunities are then matched with delivery capacities of the CAP aqueduct. The AWBA systematically adjusts each entity's amount to match CAP delivery constraints. An analysis is then made of the amount of potential recharge in each AMA/county, and the amount of funds generated in each AMA/county by month to keep monies in the AMA/county of generation.

The AWBA recharged approximately 330,000 acre feet of CAP water in 1997. Total consumptive use by Arizona for 1997 was approximately 2.7 million acre feet (maf), including: 1.38 maf project Colorado River uses along the river; CAP subcontractor deliveries of an estimated 975,000 acre feet (af), including M&I, Indian, Agricultural Pools 1, 2, and 3, and incentive recharge water; and approximately 330,000 af for recharge by the AWBA.

Conclusion

By storing substantial amounts of water in central Arizona, the AWBA safeguards against future shortages on the CAP system, assists in meeting the goals of the Arizona Groundwater Code, and aids neighboring states without harming Arizona. The AWBA is Arizona's "water savings account" and ensures that the water supplies future generations inherit from us are just as secure as those we inherited.

For more information about the Water Banking Authority, please consult our web page at:

www.awba.state.az.us

or contact Tim Henley (tjhenley@adwr.state.az.us) or Kim Kunasek (kskunasek@adwr.state.az.us).

Arizona Water Banking Authority
Activities and Projects
1997

1997 has been an eventful year for the Water Bank. Below is a summary of significant events in the Arizona Water Banking Authority in 1997.

Monthly Meetings Around State: Continuing a tradition begun in its first year in operation, the Water Bank held monthly meetings around the state in 1997 in an attempt to hear regional concerns and involve communities that cannot regularly attend the Phoenix meetings. In addition to the Water Banking Authority meetings in Tucson (September 1996), Lake Havasu (October 1996), and Yuma (December 1996), the Authority traveled to Oro Valley for a September 1997 meeting where it heard from representatives from the Tucson AMA, Tucson Water, and members of the public.

New Direct Recharge Facility: The Water Bank was proud to participate in the dedication ceremony for a new direct recharge facility. In September 1997 the Central Avra Valley Storage and Recovery Project (CAVSARP) went on line. This direct recharge facility is located in the Tucson Active Management Area (AMA). Authority Chairman Rita Pearson addressed a large audience at the CAVSARP dedication ceremony. The Bank stored approximately 984 acre feet of water at CAVSARP in the last months of 1997.

Irrigation District Partners: In 1997, the Bank negotiated agreements with the various irrigation districts in the Phoenix and Pinal AMAs for the delivery of in-lieu water. The Bank acquired one new irrigation district partner (Tonopah), and that district will begin purchasing Bank water in 1998. For further information, please see **Appendix 1 at page 19**.

Web Page: The Water Bank launched its web page in December 1997 (www.awba.state.az.us). The web page contains information about the Water Bank, the Bank's recharge partners, monthly updates in graph form on water deliveries around the state, announcements from the Water Bank, a schedule of upcoming meetings (Study Commission and general Authority meetings), numerous publications that may be downloaded, and a great deal of additional information. Bank staff has received consistently positive feedback about the web site.

Media Coverage: The Bank received a great deal of favorable press coverage over the past year. The following articles about the Bank were published in 1997:

- "Water Banking Authority to begin CAP recharge in Pima," *The Arizona Daily Star*, Page B3, January 9, 1997.
- "Babbitt issues water warning to south state," *Chicago Tribune*, Page A1, January 12, 1997.
- "Babbitt Demands Water-Hogging S. California Cut Use," *Albuquerque Journal*, January 12, 1997.

- “Water war brewing in thirsty southwest,” *Chicago Tribune*, January 12, 1997.
- “Arizona to store Colorado water,” *Scottsdale Tribune*, January 25, 1997.
- “Pacts allow state to store unused Colorado River water,” *Tribune Newspapers*, Page B5, January 25, 1997.
- “Arizona signs pacts to bank water,” *Arizona Republic*, Page A1, January 25, 1997.
- “Arizona to bank its river water,” *Casa Grande Dispatch*, Page 1, January 25, 1997.
- “Arizona banks on water for future,” *Las Vegas Sun*, January 27, 1997.
- “Nevada’s free water drying up,” *Las Vegas Review-Journal*, January 29, 1997.
- “Arizona did well securing its water,” *Arizona Republic*, editorial, February 16, 1997.
- “Arizona takes its full share of river,” *USA Today*, October 17-19, 1997.
- “Water banking allows AZ to take full share of Colo. River,” *U.S. Water News*, December, 1997.
- “Arizona’s Water Bank: Help for Nevada?” *Arizona Republic*, B4, December 28, 1997.

On-Reservation Water Banking: Water Bank staff held preliminary meetings with Gila River Indian Community representatives and other Indian nations regarding on-reservation water banking. These meetings provided an opportunity to determine the level of interest by the Indian Communities and to better understand the Community’s concerns.

Interstate Water Banking. In December 1997, the U.S. Bureau of Reclamation issued its proposed federal rules governing interstate water banking for public comment. The federal rules will enable Arizona to enter into Interstate Storage Agreements to store a portion of its unused Colorado River entitlement for other states to help those states in times of future water shortage. Water Bank staff prepared extensive comments to the proposed rule and engaged in numerous discussions with Nevada and California over interstate water issues in anticipation of the release of the federal rule.

Water Exchanges: The Water Bank will likely seek changes in the 1999 legislative session to explicitly allow for water exchanges. Statutes governing the Bank’s permissible acts do not prohibit water exchanges, but the Bank would prefer explicit permission for entering into such exchanges. Exchanges could occur, for example, at the Granite Reef Underground Storage Project (GRUSP) which, unlike the other direct recharge facilities where the Bank stores water, is operated by Salt River Project. In times of SRP water shortage (usually summertime), an exchange agreement would allow the Bank to store CAP water at GRUSP.

Credits Pledged to Mohave County and other Colorado River Communities: The Authority’s enabling legislation requires the Authority to reserve a reasonable number of long-term storage credits accrued with the general fund appropriations for the benefit of municipal and

industrial users of Colorado River water in Arizona that are outside of the Central Arizona Project service area. In 1997, the Authority began to develop long-term storage credits with general fund appropriations. In accordance with the Bank's statutory mandate, the Water Banking Authority pledged approximately 103,000 af of credits for communities in Mohave, La Paz, and Yuma counties, with the majority (99,400 af) pledged to Mohave County.

The Water Banking Authority Study Commission: The Water Banking Authority Study Commission completed its mandatory "Interim Report" in November 1997. The Study Commission was broken down into four subcommittees to focus in more detail on additional water management opportunities available to the Water Bank. The Water Bank staff assists this Department of Water Resources Study Commission by participating in subcommittee meetings and by assisting in the drafting of the subcommittee reports to the full Study Commission. The Study Commission will submit its final report to the Arizona Legislature in November 1998. An outline of the topics covered by the Interim Report appears below:

ARIZONA WATER BANKING AUTHORITY
STUDY COMMISSION
SUBCOMMITTEE REPORT SUMMARY

Subcommittee on Planning and Modeling Assumptions

Description of Modeling Process

1. Colorado River Operations
2. CAP and Priority 4 Shortage Impact Analysis

Issue 1: *What assumptions should the AWBA make with respect to planning and modeling the Colorado River operations?*

1. Upper Colorado River Basin Water Demand Build-up
2. Reservoir Protect Levels or Shortage Strategy
3. Surplus Strategy
4. Water Demand Reduction-Shortage Strategy
5. Yuma Desalter
6. Other Model Variables

Issue 2: *How much water should be stored by the AWBA to protect against projected shortages?*
Summary of Results and Recommendations

Technical Appendix

Description of Modeling Data

1. Hydrology and Water Demand

Description of Modeling Assumptions for Hydrology and Water Demand Data

1. Hydrologic Data Assumptions
2. Demand Data Assumptions

Description of System Operating Criteria Assumptions

1. Shortage Strategies Assumptions
2. Reservoir Protection Levels Assumptions
3. Shortage Deliveries Assumptions
4. Minimum Mead Elevation Assumptions
5. Yuma Desalter Assumptions
6. Surplus Strategy Assumptions
7. Shortage Protection Strategies

Results of Modeling Studies

1. Base Case Alternative
2. Alternative Test Cases
3. Upper Basin Demand Schedule Test
4. Shortage Strategy and Reservoir Protect Level Tests
5. Shortage Delivery Amount Tests
6. Discussion of Results -- Shortage Delivery Amount
7. Surplus Strategy Tests
8. Other Assumptions
9. Minimum Lake Mead Elevation (Modified Base Case) Tests
10. M&I Protection Level Tests

Recommended Modeling Assumptions

Subcommittee on Interstate and Intrastate Banking and Marketing Issues

Issue 1: *Arizona and the Bureau of Reclamation should develop a policy and process for transferring entitlements between parties in Arizona (including transfers with Indian nations) and for leasing Colorado River water supply for more than one year. The policy should consider temporary and permanent agricultural land fallowing and marketing of water that is made available through Indian water rights and contracts.*

Issue 2: *Should the benefits and services provided by the AWBA be expanded, and if so, which services are most useful and appropriate?*

- A. Short-term or interim supply services
 - 1. Drought and storage protection
 - 2. Non-permanent uses
 - 3. Interim supplies
- B. Long-term or 100-year assured water supply services
 - 1. Long-term storage credit averaging
 - 2. Water supply supplementation
 - 3. Water transfers and CAP allocations

Issue 3: *Should the AWBA be authorized to meet future needs for water supply by using techniques other than the long-term storage credit system?*

- A. Storage of supplies other than excess Colorado River water
- B. Surface water storage
- C. Land-fallowing of senior agricultural rights
- D. Return Flow Credit Development

Subcommittee on Water Banking Benefits Outside the CAP Service Area

Issue 1: *Determine the frequency and magnitude of potential shortages to M&I water users of Colorado River water who are not CAP subcontract holders.*

Numerous graphs and tables showing various levels of shortages, etc.

Issue 2: *Should the AWBA be empowered to obtain and make available water supplies to new Colorado River M&I water providers or to supplement the supplies and allocations of existing Colorado River M&I water providers in areas located outside of the CAP service area?*

Issue 3: *Should the AWBA be empowered to store water at recharge sites that do not have direct access to excess water delivered through the CAP?*

Issue 4: *Identify the needs and opportunities for the AWBA to provide assistance for water supply enhancement or drought protection for M&I water users who are neither located within the CAP service area nor located along the Colorado River.*

Issue 5: *Should the AWBA be empowered to provide water supply enhancement assistance for non-M&I uses within Arizona, such as environmental enhancement projects?*

Issue 6: *Study and determine the mechanisms for forbearance and exchange which may be used to deliver Water Bank-developed supplies to water users outside of the CAP service area.*

Issue 7: *Should M&I water users located outside of the CAWCD service area who receive credits from the Water Banking Authority to offset a water shortage be required to pay to have those credits replaced? Should the reimbursement rate be equal to what the bank originally paid for the credits or should it be at the rate in effect at the time the purchase of replacement water is needed?*

Subcommittee on Indian Issues

Overview of the AWBA

Issue 1: *What are the respective water rights and supplies of the Arizona Indian tribes and how will they interact with the Arizona Water Banking Authority?*

- A. Tribes with CAP Allocation and an Implemented Settlement
- B. Tribes with CAP Allocation and Full or Partially but not yet Implemented Settlements
- C. Tribes with CAP Allocation but no Indian Water Rights Settlement
- D. Tribes with Adjudicated Water Rights but no CAP Allocation
- E. Tribes with Adjudicated Water Rights, Settlements, or CAP Allocations

Issue 2: *How can the AWBA assist in achieving implementation of Indian water rights settlements?*

- A. Provide partial water supply
 - 1. Shortage protection
 - 2. Storage accounts
 - 3. Supplementing other supplies
 - 4. Alternate sources of water for use on reservation
- B. Mitigate impacts of off-reservation groundwater overdraft
- C. On-Reservation storage techniques

Issue 3: *How the AWBA provide additional water supply or marketing services to Indian communities?*

- A. Store unused Indian water for the tribe's benefit at off-reservation locations
- B. Purchase water from Indian tribes as a supply source for recharge
- C. Serve as intermediary or facilitator in marketing Indian water to non-Indian water users
- D. Arrange land-fallowing agreements

Issue 4: *What are some of the challenges facing Indian community participation in the water bank?*

- A. Lack of delivery infrastructure or exchange capability
- B. Difficult for Bank to participate in settlement discussions
- C. Funding limitations
- D. Legal questions about marketing
- E. Low demand for short-term water supplies
- F. Wheeling agreements through the CAP
- G. Sovereignty, trust, and regulatory issues
- H. Federal Participation

###

Arizona Water Banking Authority
Monies Expended from the Banking Fund
Calendar Year 1997

Arizona Revised Statutes section 45-2425 established a water banking fund. The Arizona Water Banking Authority administers the fund. Section 45-2425 provides a breakdown of the sources of monies in the banking fund.

The Bank currently obtains its funding from the following sources:

1) Fees for groundwater pumping currently collected within the Phoenix, Pinal, and Tucson Active Management Areas (AMAs). In the Phoenix AMA, Tucson AMA, and most areas of the Pinal AMA, pumping fees for water banking purposes are \$2.50 per acre foot. Fees are based on annual groundwater pumping in the AMAs. The AMAs file their reports of groundwater pumping in March of each year. The Bank consequently collects fees for the previous year groundwater pumping in May following submittal of the AMA's groundwater pumping report.

No groundwater pumping fees were collected in 1997; the Bank will begin to receive funds from groundwater pumping in 1998. *Money from this source must be used for the benefit of the Active Management Area in which it was collected.*

2) The CAP is authorized to levy a four cent *ad valorem* property tax in the CAP service area to pay for water storage. Please note that the Bank receives monies collected from the 4¢ tax in two installments: one payment is due in November of each year, and the Bank receives these revenues in December; the second is due in April, and the Bank receives these revenues in May. To help finance the AWBA's efforts, the tax will be extended through 2016 and revenues will be deposited in the Fund. *Money from this source must be used to benefit the county in which it was collected.*

3) A general fund appropriation in the amount the Arizona Legislature and Governor believe to be appropriate. The 1997 appropriation amounted to \$2 million. General fund monies are available to the Bank on a quarterly basis and can be spent throughout the year, but other monies are only available to the Bank at specific times of the year. *Water stored with these funds may be used to assist communities along the Colorado River, to help the State meet its water management objectives, or as a component of an Indian water rights settlement.*

In 1997, the Water Bank statute governing annual reports was amended to require accounting on a calendar year (January to December) rather than fiscal year (July to June) basis. Fiscal Year 1997 covers July 1, 1996 through June 30, 1997, but fiscal activity from those six months were not included in the 1996 Annual Report. The last six months of the 1996 calendar year are included in this 1997 Annual Report because funds from that period would otherwise go unreported in any published document.

Table 1 shows the source of location of fees collected by the Water Bank and details funds expended and remaining in the Water Banking Fund.

Arizona Water Banking Authority
Long-term Storage Credits

Under A.R.S. § 45-852.01, the ADWR credits 95% of the recoverable amount of stored water that meets the statutory requirements to the storer's long-term storage account. *See* A.R.S. § 45-852.01(C). Certain statutory exceptions to the 95% rule are provided. For example, for each 100 acre feet the Water Bank stores (either through direct or indirect recharge), the ADWR credits the Bank's long-term storage account with 95 acre feet of credits. The 5% that is not credited to the Bank is known as the "cut to the aquifer" and provides additional groundwater replenishment benefits.

Table 2 shows the amount of credits earned in each AMA and county in 1997.

Table 1*Monies Collected, Expended, and Remaining in Banking Fund*

<i>Source & Location</i>	<i>Collected</i>	<i>Expended</i>	<i>Remaining</i>
General Fund	\$3,000,000	\$2,791,000	\$209,000
Sub-Total	\$3,000,000	\$2,791,000	\$209,000
4¢ Ad Valorem Tax			
Maricopa County	\$ 8,197,000	\$4,479,000	\$3,718,000
Pinal County	337,000	295,000	42,000
Pima County	1,654,000	1,067,000	587,000
Sub-Total	\$10,188,000	\$5,841,000	\$4,347,000
Groundwater Pumping Fee			
Phoenix AMA	n/a		
Pinal AMA	n/a		
Tucson AMA	n/a		
Grand Total	\$13,188,000	\$8,632,000	\$4,556,000

Table 2*Long-Term Storage Credits Accrued*

<i>Source & Location</i>	<i>Credits Accrued</i>
General Fund	
Maricopa County	456 (not final)
Pinal County	not yet available
Pima County	<i>none</i>
Sub-Total	
4¢ Ad Valorem Tax	
Maricopa County	not yet available
Pinal County	18,260
Pima County	2,932
Sub-Total	
Groundwater Pumping Fee: <i>no credits were developed with groundwater pumping fees in 1997</i>	
Grand Total	not yet available

Appendix 1

Arizona Water Banking Authority

Water Stored in Calendar Year 1997

One acre foot = 325,851 gallons

Credits earned by the Water Bank are computed by subtracting 5% for losses and 5% for a “cut to the aquifer” from the *total annual deliveries*

Phoenix Active Management Area (AMA)

Approximately 133,000 af of credits were developed with the four cent property tax collected in Maricopa County for future use by communities in Maricopa County. Approximately 16,000 af of credits were developed using General Fund monies. Credits developed from general fund monies may be used by communities along the Colorado River during droughts, to help achieve water management objectives, or as a component of an Indian water rights settlement.

Partner	Water Delivered
Chandler Heights Citrus and Irrigation District (CHCID).....	0
Maricopa Water District.....	5,103
Queen Creek Irrigation District (QCID).....	19,610
Granite Reef Underground Storage Project (GRUSP).....	40,922
New Magma Irrigation and Drainage District (NMIDD).....	47,200
Roosevelt Water Conservation District.....	49,158

Pinal Active Management Area (AMA)

Approximately 14,000 af of credits were developed by the four cent property tax collected in Pinal County for use by communities in Pinal County. Approximately 134,000 af of credits were developed using General Fund monies.

Partner	Water Delivered
Central Arizona Irrigation and Drainage District (CAIDD).....	45,000
Hohokam Irrigation and Drainage District (HIDD).....	51,121
Maricopa-Stanfield Irrigation and Drainage District (MSIDD).....	64,980

Tucson Active Management Area (AMA)

Approximately 3,000 af of credits were developed with the four cent property tax levied in Pima County for use by communities in Pima County. No credits were developed using General Fund monies.

Partner	Water Delivered
Avra Valley (CAP).....	2,157
Central Avra Valley Storage and Recovery Project CAVSARP).....	984
Pima Mine.....	0
Lower Santa Cruz.....	0

Total Water Banking Authority Deliveries.....326,235

Appendix 2

Arizona Water Banking Authority

Number of Long-Term Storage Credits Distributed or Extinguished by the Authority

- No long-term storage credits were distributed or extinguished by the Authority in 1997.

DRAFT



BOARD AGENDA BRIEF

ACTION ITEM

SENT

DATE: May 28, 1998

ITEM NUMBER: 11

TO: Board of Directors

FROM: John Newman, Assistant General Manager

SUBJECT: Approval of 1999 Water Delivery Rate Schedule

STAFF RECOMMENDATION:

Staff recommends that the Board approve the attached 1999 Water Rate Schedule which establishes firm water delivery rates for calendar year 1999 and advisory water delivery rates for calendar years 2000 through 2003.

BUDGET IMPLICATIONS:

Are budget funds required? yes _____ no X

Amount: \$ _____

Are funds available in the current budget? yes _____ no _____

ISSUE SUMMARY:

At its March 5, 1998 regular meeting, the CAWCD Board of Directors approved a preliminary 1999 water rate schedule for dissemination among its subcontractors and interested parties for review and comment. This preliminary rate schedule was amended by the Board at its April 2, 1998 regular meeting to include a delivery rate for excess water for miscellaneous uses. By letter dated April 7, 1998, the amended preliminary 1999 rate schedule was transmitted to CAWCD's subcontractors and interested parties for review and comment.

To date, no comments have been received.

SUGGESTED MOTION:

Move that the Board approve the 1999 Water Rate Schedule which establishes firm water delivery rates for calendar year 1999 and advisory water delivery rates for calendar years 2000 through 2003.

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Attachment

**1999 WATER RATE SCHEDULE
CENTRAL ARIZONA PROJECT**

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
COST COMPONENTS					
M&I Capital Charges ^{1/}	\$48/af	\$54/af	\$54/af	\$54/af	\$54/af
Ag Capital Charges ^{2/}	2/af	2/af	2/af	2/af	2/af
Water Delivery Costs					
Fixed OM&R ^{3/}	31/af	Determined annually			
Pumping Energy ^{4/}	<u>38/af</u>	Determined annually			
	\$69/af				

DELIVERY RATES		<u>Firm</u>	<u>Advisory</u>			
A)	M&I	\$69/af	\$70/af	\$72/af	\$73/af	\$75/af
	Ag					
B)	Pool 1 (200,000 af)	32/af	33/af	34/af	35/af	36/af
C)	Pool 2 (200,000 af)	22/af	23/af	24/af	25/af	26/af
D)	Pool 3 ^{5/}	45/af	Determined annually			
E)	M&I Incentive Recharge ^{6/}	43/af				
F)	Federal	69/af	70/af	72/af	73/af	75/af
G)	AWBA ^{7/}	43/af				
H)	Miscellaneous Uses ^{7/}	43/af	Determined Annually			

(Qualifications for A through H footnoted on reverse side)

- ^{1/} Paid on full allocation regardless of water deliveries, not included in delivery rates.
- ^{2/} Paid on actual deliveries and included in delivery rates.
- ^{3/} \$43.5 million fixed OM&R costs ÷ 1,416,000 af of projected deliveries ≈ \$31/af. This amount is collected on all ordered water whether delivered or not.
- ^{4/} \$53.6 million pumping energy costs ÷ 1,416,000 af of projected deliveries ≈ \$38/af. This amount is collected only for water actually delivered.
- ^{5/} Rate is pumping energy component plus \$5 contribution to fixed OM&R plus the \$2 Ag capital charge.
- ^{6/} Rate is pumping energy component plus \$5 contribution towards fixed OM&R. See reverse side for rules regarding eligibility for and use of M&I incentive recharge water.
- ^{7/} Rate is pumping energy component plus \$5 contribution towards fixed OM&R.

Qualifications for Classes of Water

- A) M&I--The delivery rate for M&I subcontractors. For M&I users who are not subcontractors we add the capital charge and create an Excess M&I contractor rate for "as available" water.
- B) Pool 1--All Ag entities who originally signed a subcontract.
- C) Pool 2--Those Ag entities that waived their subcontract rights in two-party agreements with CAWCD; CAWCD waived the Ag take-or-pay requirements. Excludes those Ag entities that relinquished their subcontracts to others for the benefit of their district, i.e., Harquahala Valley Irrigation District, Roosevelt Water Conservation District, and HoHoKam Irrigation District.
- D) Pool 3--Any Ag customer who meets basic qualifications including those who want more than their allocated share of Pool 1 and Pool 2 water.
- E) M&I Incentive Recharge--A special program offered to M&I subcontractors only. They must have valid Arizona Department of Water Resources permits and must gain recharge/storage credits from this activity. The Board has approved this program through 1999. CAP may participate with some Ag entities in a limited fashion.
- F) Federal--For federal purposes (Indians, USBR construction water, etc.)
- G) AWBA--Water purchased by the Arizona Water Banking Authority. It is available for scheduling after all other schedules have been filled.
- H) Miscellaneous Uses--Water for recreational and fish and wildlife purposes.



BOARD AGENDA BRIEF

Action Item

SENT

DATE: May 28, 1998

ITEM NUMBER: 8.

TO: Board of Directors

FROM: Doug Miller, General Counsel

SUBJECT: 1998-99 Tax Year Ad Valorem Tax Rate for Water Storage

STAFF RECOMMENDATION:

Staff has determined that none of the tax which can be made available for the Arizona Water Banking Fund should be retained for payment or repayment of CAP costs at this time. However, because of the many recharge opportunities available to the Arizona Water Banking Authority, it is appropriate to fix the tax rate for Water Storage at \$.04 per \$100 of assessed valuation for tax year 1998-99.

BUDGET IMPLICATIONS:

Are budget funds required? yes ___ no X

Amount: _____

Are funds available in the current budget? yes ___ no ___

ISSUE SUMMARY:

The ad valorem tax rate for Water Storage is determined annually by the CAWCD Board. The statute allows the Board to fix a maximum tax rate of \$.04 per \$100 of assessed valuation for Water Storage.

The statute provides that CAWCD shall determine on an annual basis the amount to assess property owners in Maricopa, Pinal and Pima Counties for Water Storage. The tax rate may be fixed at up to \$.04 per \$100 of assessed valuation. A.R.S. § 48-3715.02.B provides that the Board shall fix the amount to be raised by this tax. A.R.S. § 48-3715.03.A provides that the Board shall determine by resolution whether all or any portion of such tax is to be applied to the payment or repayment of CAP construction or operating costs. The resolution must then be delivered to the State Treasurer. Any taxes levied pursuant to A.R.S. § 48-3715.02, subsections B and C, which are not identified by CAWCD as being intended for application against CAP construction or operating costs are deposited by the Treasurer in the Arizona Water Banking Fund.

In calendar year 1997, a total of \$7,972,819 in revenues was collected from this tax. The breakdown by county is:

Maricopa	\$6,350,274
Pima	\$1,396,864
Pinal	\$ 225,681

SUGGESTED MOTION:

I move that the ad valorem tax rate for Water Storage be fixed at \$.04 per \$100 of assessed valuation for tax year 1998-99.

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BOARD AGENDA BRIEF

Action Item

SENT

DATE: May 28, 1998

ITEM NUMBER: 9.

TO: Board of Directors

FROM: Doug Miller, General Counsel

SUBJECT: Resolution Regarding 1998-99 Tax Year Ad Valorem Tax for Water Storage

STAFF RECOMMENDATION:

The Board should adopt the attached resolution which provides that the entire amount levied in tax year 1998-99 for Water Storage (\$.04 per \$100 of assessed valuation) should be deposited in the Arizona Water Banking Fund.

BUDGET IMPLICATIONS:

Are budget funds required? yes ___ no X

Amount: \$ _____

Are funds available in the current budget? yes ___ no ___

ISSUE SUMMARY:

The ad valorem tax rate for Water Storage is determined annually by the CAWCD Board. The statute allows the Board to fix a maximum tax rate of \$.04 per \$100 of assessed valuation for Water Storage.

A.R.S. § 48-3715.02.B provides that CAWCD shall determine on an annual basis the amount to assess property owners in Maricopa, Pinal and Pima Counties for Water Storage. The tax rate may be fixed at up to \$.04 per \$100 of assessed valuation. A.R.S. § 48-3715.03 provides that the Board shall determine by resolution whether all or any portion of such tax is to be applied to the payment or repayment of CAP construction or operating costs. The resolution must then be delivered to the State Treasurer. Any taxes levied pursuant to A.R.S. § 48-3715.02, subsections B and C, which are not identified by CAWCD as being intended for application against CAP construction or operating costs are deposited by the Treasurer in the Arizona Water Banking Fund. Staff has determined that none of the tax which can be made available for the Arizona Water Banking Fund should be retained for payment or repayment of CAP costs at this time.

SUGGESTED MOTION:

I move that the Board adopt the resolution regarding the ad valorem tax for Water Storage.

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RESOLUTION OF THE BOARD OF DIRECTORS
OF THE
CENTRAL ARIZONA WATER CONSERVATION DISTRICT
REGARDING AD VALOREM TAX FOR WATER STORAGE

(June 4, 1998)

WHEREAS, House Bill 2494 adopted by the Arizona Legislature in 1996 (Chapter 308, Laws of Arizona 1996, Forty-second Legislature, Second Regular Session) established the Arizona Water Bank and amended A.R.S. § 48-3715.02 relating to the tax levy for water shortage; and

WHEREAS, A.R.S. § 48-3715.02, subsection B, as amended by House Bill 2494, provides that the Board of Directors (the "Board") of the Central Arizona Water Conservation District (the "District") shall fix the amount to be raised by direct taxation pursuant to its provisions, which amount shall not exceed four cents per one hundred dollars of assessed valuation; and

WHEREAS, the Board by separate action this date has fixed the tax rate pursuant to A.R.S. § 48-3715.02, subsection B, for the 1998-99 tax year at four cents per one hundred dollars of assessed valuation; and

WHEREAS, A.R.S. § 48-3715.03, as amended by House Bill 2494, further provides that the Board shall determine annually by resolution whether any or all of the tax levied pursuant to A.R.S. § 48-3715.02, subsections B and C, shall be applied to the repayment of the construction costs of the Central Arizona Project (the "Project") or to the annual operation, maintenance, and

replacement costs of the Project; and

WHEREAS, A.R.S. § 48-3715.03 further provides that those monies specified in such resolution for repayment of the construction costs or payment of the annual operation, maintenance, and replacement costs of the Project shall be deposited in the District fund established pursuant to A.R.S. § 48-3712, subsection A, paragraph 5; and

WHEREAS, A.R.S. § 48-3715.03 further provides that a certified copy of such resolution shall be delivered to the State Treasurer; and

WHEREAS, A.R.S. § 48-3715.03 further provides that any taxes levied pursuant to A.R.S. § 48-3715.02, subsections B and C, that are not deposited in the District fund shall be deposited by the State Treasurer in the Arizona Water Banking Fund established by A.R.S. § 45-2425, as added by House Bill 2494;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Central Arizona Water Conservation District, as follows:

1. That none of the taxes levied pursuant to A.R.S. § 48-3715.02, subsections B and C, in the 1998-99 tax year shall be applied to the repayment of the construction costs of the Central Arizona Project or to the annual operation, maintenance, and replacement costs of the Project; and
2. That the State Treasurer be directed to deposit all taxes levied pursuant to A.R.S. § 48-3715.02, subsections B and C, in the

1998-99 tax year in the Arizona Water Banking Fund established by
A.R.S. § 45-2425; and

3. That a certified copy of this resolution be delivered to the
State Treasurer.

I, the undersigned, as Secretary of the Central Arizona Water Conservation District, hereby certify that the foregoing is a true and correct copy of the resolutions duly adopted by the Board of Directors of the Central Arizona Water Conservation District at a meeting thereof, duly called and held on June 4, 1998, at which a quorum was present and acting throughout. I further certify that said resolutions have not been modified or revoked since their adoption and are still in full force and effect.

SIGNED THIS 4th day of June, 1998.

By: _____
Secretary

resol. tax

May 20, 1998

Ms. Rita Pearson
Chairman, Arizona Water Banking Authority
500 N. Third St.
Phoenix, AZ 85004

Re: Arizona Water Banking Authority Storage in the Tucson Area and
the Upper Santa Cruz CAP Utilization Feasibility Study

Dear Ms. Pearson:

As you know, Tucson area water interests have been working closely with the Arizona Water Banking Authority (AWBA) and the Arizona Department of Water Resources (ADWR) to develop a recharge program that meets the storage needs and groundwater management goals of the Tucson Active Management Area (AMA). We are aware that the AWBA will be considering additional sites for storage in the Tucson AMA, including groundwater savings facilities. We are writing to inform you of a potential site for AWBA storage that is currently under study and to request that you consider the results of this study prior to developing any long term plans for incorporating groundwater savings projects into AWBA operations in the Tucson AMA.

Using Tucson AMA augmentation funds, ADWR has funded the "Sahuarita-Green Valley Area Central Arizona Project Water Use Feasibility Analysis and Delivery System Optimization Study." This study is investigating the feasibility of bringing CAP water from the CAP aqueduct terminus to water users in the Green Valley-Sahuarita area. Potential CAP water users include agriculture, mining, water companies, golf courses and direct recharge projects. Steering this effort is a voluntary advisory committee, the Upper Santa Cruz Water Users Group (USCWUG). The City of Tucson, Pima County, Farmers Investment Company, Community Water Company of Green Valley, ASARCO, Cyprus Sierrita Corporation, Green Valley Water Company, and Sahuarita have signed an USCWUG participation Memorandum of Understanding. Also participating in USCWUG meetings are the CAP, the United States Bureau of Reclamation, the San Xavier District of the Tohono O'odham Nation, the Green Valley Coordinating Council and others. The study, which will be completed this summer, will provide preliminary design and a financial feasibility analysis of an optimal route for CAP water delivery. Preliminary design of the infrastructure required for a groundwater savings facility at Farmers Investment Company is included in the investigation. USCWUG intends to evaluate the outcome of the study and work on developing a course for further action.

The Green Valley-Sahuarita area has been identified by ADWR and the regional recharge planning process as a geographic area where additional storage may substantially increase the likelihood of attaining groundwater management objectives. We respectfully request that you consider the results of this study prior to developing any long term plans for incorporating groundwater savings projects into AWBA operations. USCWUG members would like to meet

with your staff to provide information on study results to date as well as keep your staff informed on an ongoing basis.

The AMA-wide regional recharge planning effort, on which the AWBA Board was briefed, has coordinated information sharing regarding CAP recharge and evaluated a considerable number of sites. We are excited about AWBA storage of CAP water at the four sites included in the 1998 Plan of Operations. Experience has demonstrated that coordination and cooperation are necessary if we are to achieve multiple goals effectively and efficiently. We look forward to continuing to work with the AWBA so that together we can meet the water management goals of the Tucson AMA and the State of Arizona.

Sincerely,



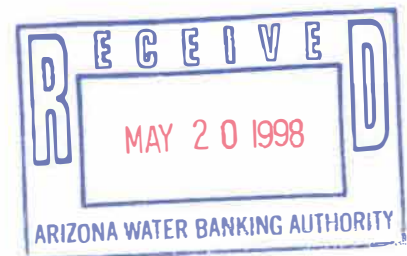
Alan Forrest, P.E.

Community Water Company of Green Valley
USCWUG Co-chair



Sharon B. Megdal, Ph.D.
MegEcon Consulting
USCWUG Secretary

cc: Arizona Water Banking Authority Board Members
Tim Henley



UPPER SANTA CRUZ WATER USERS GROUP

The Upper Santa Cruz Water Users Group (USCWUG) started as a small group of local, water-using entities, interested in cooperatively exploring opportunities for Central Arizona Project (CAP) water use within the Sahuarita-Green Valley area. This area is considered strategic for CAP water use due to its proximity to the canal terminus, the wide range of potential users and its location up gradient of much of the groundwater use in the basin. Potential uses for CAP water include: direct recharge (in channel and/or basin recharge); indirect recharge through groundwater savings projects (agriculture); industrial use (copper production); turf irrigation (golf courses/parks); and direct use by municipal providers. The ability to use CAP water in this area, however, is currently constrained by a lack of delivery facilities south of the CAP terminus.

The original focus of the group was to secure an Augmentation Grant from the Arizona Department of Water Resources (ADWR) to study the feasibility of developing a groundwater savings project in the area, through delivery of CAP water to FICO's pecan orchards. The scope of the project expanded, however, as participation in the group increased and the inter-related nature of potential water management projects became apparent to the participants. To date, participation in USCWUG meetings has included representatives of the following agencies: Community Water Company of Green Valley; Green Valley Water Company; Interchange Water Company; Tucson Water; Farmers Investment Company (FICO); the San Xavier District of the Tohono O'odham Nation; ASARCO Mission Complex; Cyprus Sierrita Corporation; Green Valley Community Coordinating Council; Town of Sahuarita; Pima County Flood Control District/Pima County; ADWR; Central Arizona Water Conservation District; the Bureau of Reclamation, and others.

In late 1996, the group formally requested financial and technical assistance from ADWR to conduct a feasibility and optimization study of CAP use in the Sahuarita-Green Valley area. ADWR agreed to develop a "Request for Proposal" (RFP) specifically for the evaluation of a groundwater savings program at FICO and the delivery of surface water to other users in the area. USCWUG members and ADWR staff developed a scope of work and in July 1997 selected Malcolm Pirnie to perform the study. Work on the study began on August 1, 1997 and should be completed by August 1, 1998.

The study is funded through ADWR's water supply Augmentation Program, which is supported by groundwater withdrawal fees in the Tucson area. The objectives of the study are to identify feasible delivery options, then prepare a preliminary design and cost estimate for an optimal delivery system that: 1) maximizes CAP water use; 2) minimizes the unit cost over time; and 3) allows delivery flexibility.

Most of the participating entities have entered into a Memorandum of Understanding (MOU), agreeing to work cooperatively toward the goal of making surface water supplies available to water providers and groundwater users located south of the CAP Terminus. Specifically, the MOU promotes active participation in the following areas: 1) to work with ADWR on the development of a Scope of Work for the feasibility study (completed); 2) to assist ADWR in selection of a consulting engineer to perform the work (completed); 3) to provide pertinent information and data to the consultant (ongoing); 4) to act as a technical advisory group to ADWR/consultant (ongoing); 5) to evaluate the outcome of the study and develop a course of further action (future).

1.0 INTRODUCTION

1.1 PURPOSE OF STUDY

The southern portion of the Tucson Active Management Area (TAMA), including the Town of Sahuarita and Green Valley-area developments, farms, and mines, has traditionally relied exclusively on the use of groundwater to meet water demands. Historic and current major area water uses consist of agricultural use for pecan orchard irrigation, metal mining, residential/commercial uses, and golf course irrigation. New residential development and expansion of existing water uses in the area are projected to increase water use beyond current rates, potentially increasing the rate of aquifer overdraft and associated water table declines.

The 1980 Arizona Groundwater Management Act established a statutory goal of achieving safe yield within the TAMA by 2025. The Arizona Department of Water Resources (ADWR) is responsible for administering water resource management within the TAMA over five management periods to achieve this goal. ADWR develops and publishes management plans that coincide with each management period. The Second Management Plan (SMP) for the TAMA was published in 1991 and establishes conservation goals for municipal, agricultural, and industrial water users to reduce demand within the TAMA. The SMP also identifies water resource allocation strategies that encourage replacing the use of groundwater with renewable water resources. The use of Central Arizona Project (CAP) water is as an important component for achieving safe yield in the TAMA.

To explore the feasibility of augmenting existing groundwater supplies with CAP water in the Sahuarita - Green Valley area, potential CAP water users in the southern portion of the TAMA expressed interest in performing a CAP delivery feasibility analysis and optimization study for the area. In 1996, the Upper Santa Cruz Water Users Group (USCWUG) was formed to help ADWR conceptualize alternatives for bringing CAP water from the CAP aqueduct terminus, located near Pima Mine Road and Interstate 19, to water users and providers in the Sahuarita - Green Valley area. The USCWUG is comprised of representatives of major water users and governmental agencies in the area. Members

include Farmers Investment Company (FICO), Community Water Company of Green Valley, Green Valley Water Company, ASARCO Mission Complex, Cyprus Sierrita Corporation, the Tohono O'Odham Nation, the Town of Sahuarita, the Green Valley Coordinating Council, the City of Tucson, Pima County, the Arizona Department of Water Resources, the Central Arizona Water Conservation District, and the U.S. Bureau of Reclamation. As a result of input from USCWUG, ADWR has commissioned this *Sahuarita - Green Valley Area CAP Water Use Feasibility Analysis and Delivery System Optimization Study*.

1.2 PROJECT SCOPE AND STUDY AREA

1.2.1 Project Scope

The project scope generally consists of identifying existing and projected water demands in the Sahuarita - Green Valley area and identifying alternatives and costs for delivering CAP water to potential users. The project will be conducted in five major tasks, which are described below. The results of each task will be summarized in a technical memorandum.

Task 1 - Conduct Preliminary Investigations

This task includes collecting and assembling major planning parameters and informational resources needed to conduct the study. The task includes developing the project study area, identifying potential CAP water uses, projecting water demands and flow parameters, assessing water quality issues, analyzing the existing CAP system terminus facilities, and analyzing the Pima Mine Road Recharge Project delivery system.

Task 2 - Perform Route Study and Conceptual Design

Information gathered in the first task will be used to identify alternative routes for CAP conveyance facilities. Each alternative route will be described and mapped, and a conceptual level design will be performed. An optimal route will be identified based on costs, ability to maximize CAP use, flexibility, reliability, water quality impacts, compatibility with existing or planned infrastructure, and institutional/regulatory issues. Evaluation criteria will be developed and documented as a part of this task.

Task 3 - Perform Preliminary Design of Optimal Alternative

A preliminary design of the optimal delivery alternative identified in Task 2 will be developed. The design will include plan and profile drawings, identification and sizing of major infrastructure, and recommended locations for major facilities. Sufficient detail will be presented to identify project magnitude and component capacities to provide a basis for developing preliminary level cost opinions.

Task 4 - Perform Financial Feasibility Analysis of Optimal Route

A financial feasibility analysis will be performed based on the preliminary design developed in Task 3. The analysis will include construction, engineering, and operation and maintenance cost opinions; an incremental cost analysis that balances the benefits and costs of constructing portions of the design to serve major users; and a description of potential public and private project financing alternatives.

Task 5 - Prepare Final Report

A final report will be prepared that consolidates the findings of each of the first four tasks into a comprehensive document. The report will incorporate comments received from ADWR and the USCWUG on the four technical memoranda. The report will be presented as an executive summary that ties together and summarizes the technical memoranda. The technical memoranda will be appended as technical support documents. Draft and final versions of the report will be developed.

1.2.2 Project Study Area

The project study area is shown in Figure 1-1. The study area includes lands bounded on the north by Pima Mine Road, on the east by the Santa Rita Experimental Range and Coronado National Forest, on the south by the Pima County / Santa Cruz County and Tucson AMA / Santa Cruz AMA boundaries, and on the West by the Santa Cruz / Avra-Altar Valley sub-basin boundary. The study area includes the entire incorporated limits of the Town of Sahuarita, all Green Valley-area developments, the boundaries of the Farmers Investment Company (FICO) pecan orchards, the ASARCO Mission Complex mining facilities, Cyprus Sierrita and Cyprus Twin Buttes mines, the planned Canoa Ranch and Rancho Sahuarita development communities, and all of the existing and currently-planned golf courses in the area.

R 10 E

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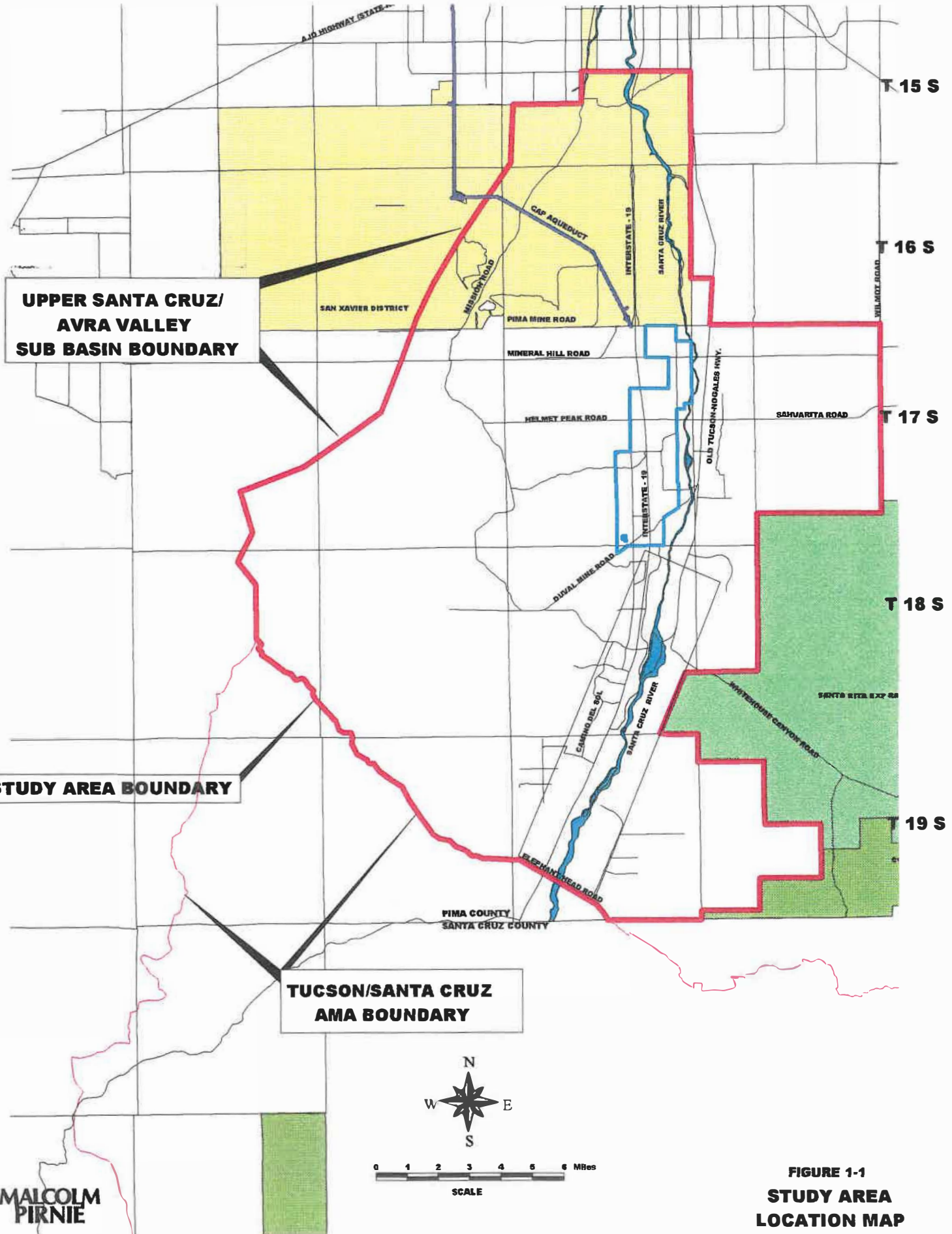
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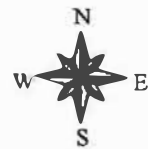
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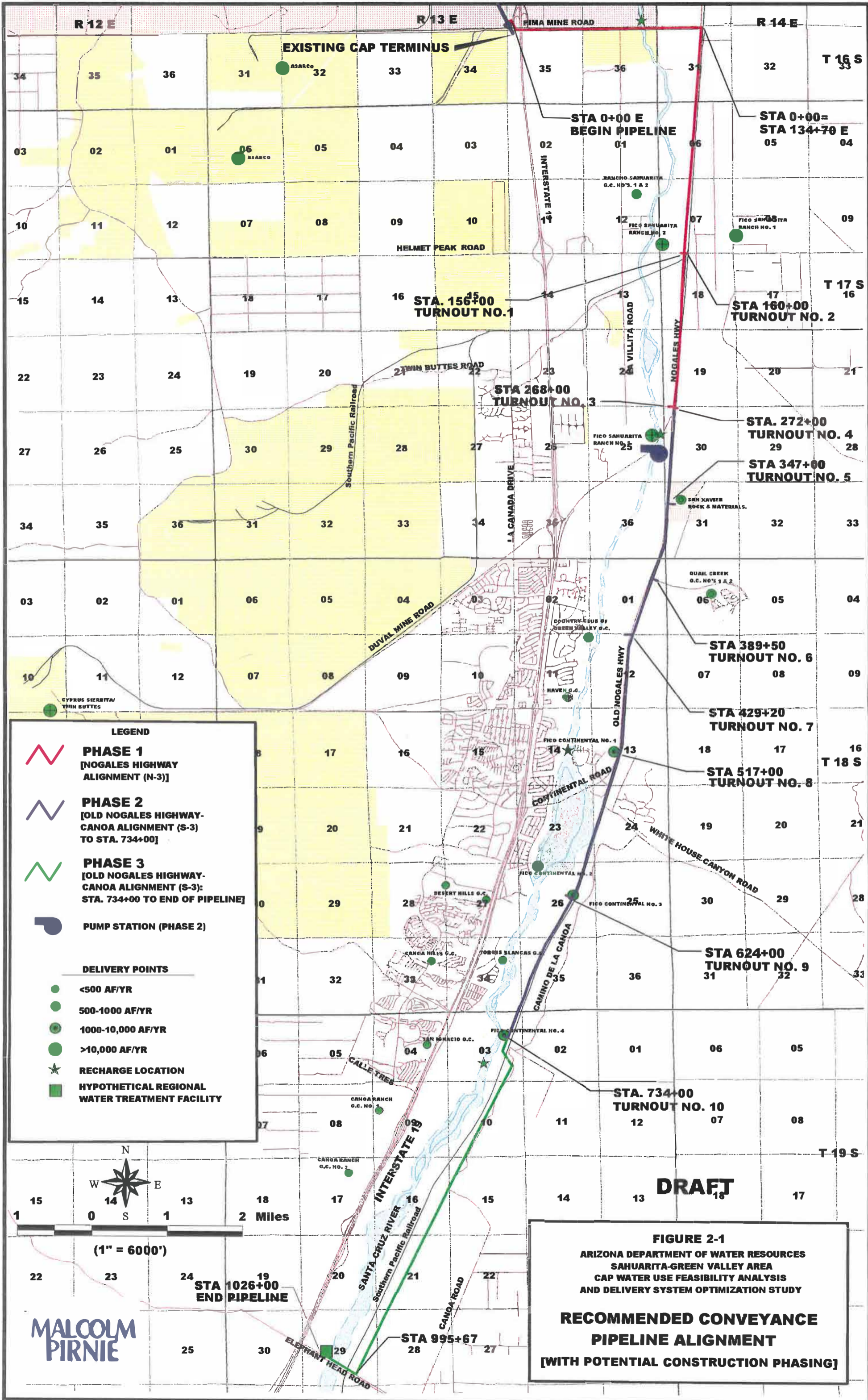
**UPPER SANTA CRUZ/
AVRA VALLEY
SUB BASIN BOUNDARY**

STUDY AREA BOUNDARY

**TUCSON/SANTA CRUZ
AMA BOUNDARY**



**FIGURE 1-1
STUDY AREA
LOCATION MAP**



FILED _____ LONGED _____
 RECEIVED _____ COPY _____
 JUN 2 1998
 CLERK U.S. DISTRICT COURT
 DISTRICT OF ARIZONA
 DEPUTY

IN THE UNITED STATES DISTRICT COURT
 FOR THE DISTRICT OF ARIZONA

CENTRAL ARIZONA WATER)
 CONSERVATION DISTRICT, a municipal)
 corporation of the State of)
 Arizona,)

CIV 95-625-TUC-WDB (EHC)
 CIV 95-1720-PHX-EHC
 (Consolidated Action)

Plaintiff,)

ORDER

v.)

UNITED STATES OF AMERICA, et al.,)
 Defendants.)

UNITED STATES OF AMERICA,)
 Counterclaimant,)

v.)

CENTRAL ARIZONA WATER)
 CONSERVATION DISTRICT,)
 Counterdefendant.)

The parties have submitted a lengthy joint report which separates the trial in this case into six distinct phases. The phases are: Contract Issues Related to the Repayment Ceiling; Cost Allocation Issues; Development Fund Issues; Calculation of Annual Billings; Water Delivery Issues; and Construction Deficiencies and Miscellaneous Claims. However, the parties are unable to agree upon the proper order in which these phases should be tried.

After reviewing the joint report, the Court finds logical arguments supporting both parties' proposed ordering of the phases. Because of the parties' inability to agree upon an order

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1 for the trial phases, it has become the Court's responsibility to
2 do so.

3 Upon consideration of the above and good cause appearing,

4 **IT IS ORDERED** that the first phase of the trial in this
5 action is scheduled to begin on **Tuesday, August 4, 1998 at 9:00**
6 **a.m.** The first phase will be "Contract Issues Related to the
7 Repayment Ceiling."

8 **IT IS FURTHER ORDERED** that the attorneys who will be
9 responsible for trial of the first phase shall appear and
10 participate in a **Final Pretrial Conference** on **Monday, July 27,**
11 **1998 at 9:00 a.m.** in courtroom number six (#6) on the sixth floor
12 of the United States Courthouse, 230 North First Avenue, Phoenix,
13 Arizona.

14 **IT IS FURTHER ORDERED** that the parties shall lodge with the
15 Court a joint proposed pretrial order no later than **Monday, July**
16 **6, 1998.** The content of the proposed pretrial order shall
17 include, but not be limited to, a concise list of all legal and
18 factual issues that will be addressed during the phase and a brief
19 statement of each party's contention with respect to those issues.
20

21 The parties shall further indicate any undisputed findings of
22 fact or conclusions of law in the proposed pretrial order. With
23 respect to any contested factual and legal issues, the parties
24 shall separately submit proposed findings of facts and conclusions
25 of law.
26

1 The proposed pretrial order shall further include a list of
2 all witnesses expected to testify and all exhibits that will be
3 offered during the first trial phase, including a brief summary of
4 the anticipated testimony of their respective witnesses. The
5 parties shall stipulate as to the exhibits they agree are
6 admissible and state their objections to any other exhibits.

7 IT IS FURTHER ORDERED that any objections to the Special
8 Master's Report and Recommendation with respect to the United
9 States' motion in limine to exclude evidence relating to the 1994-
10 1995 negotiations shall be filed no later than July 1, 1998.

11 IT IS FURTHER ORDERED setting the "Cost Allocation Issues" as
12 the second phase of the trial. The second phase is tentatively
13 scheduled to begin on Tuesday, September 15, 1998 at 9:00 a.m. A
14 further order setting the deadlines for the second phase will be
15 forthcoming.

16 IT IS FURTHER ORDERED that the Court will determine the order
17 of the remaining phases at a later date.

18 IT IS FURTHER ORDERED that the parties shall keep the Court
19 apprised of the status of any settlement negotiations. If a
20 settlement is reached, the parties shall file a Notice of
21 Settlement with the Clerk of the Court.
22

23 DATED this 27 day of May, 1998.

24 
25 _____
26 Earl H. Carroll
United States District Judge

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TELEPHONE 602-417-2418
FAX 602-417-2401
 WWW.AWBA.STATE.AZ.US



AUTHORITY MEMBERS
 Rita P. Pearson, Chairman
 Tom Griffin, Vice-Chair
 Bill Chase, Secretary
 Grady Gammage, Jr.
 Richard S. Walden

EX OFFICIO MEMBERS
 Senator Pat Conner
 Representative Gail Griffin

MEMORANDUM

TO: All Study Commission Members

FROM: Kim Kunasek, Technical Administrator

DATE: June 16, 1998

SUBJECT: Upcoming Meetings

Below is a list of the final series of meetings of the full Study Commission. The final report is due November 1, 1998. The meeting schedule will be posted on the AWBA's web page under "Announcements" and "Upcoming Meetings."

<i>Group</i>	<i>Topic</i>	<i>Date/Time</i>
Full Study Commission	Inter/Intrastate Water Banking & Marketing Benefits Outside CAP Service Area	July 30, 1998 10am-2pm 3rd Fl. Conf. Room
Full Study Commission	Indian Issues, Finance & Taxation, & Planning/Modeling	August 25, 1998 10am-2pm 3rd Fl. Conf. Room
Full Study Commission	Wrap-up	September 23, 1998 10am-2pm 3rd Fl. Conf. Room October 8, 1998 10am-2pm 3rd Fl. Conf. Room