



February 12, 2014

Arizona Water Banking Authority Commission
3550 N. Central Avenue
Phoenix, AZ 85012

Dear Commissioners:

I write this letter regarding the Arizona Water Banking Authority's ("AWBA") proposed legislation, HB 2326. For the reasons outlined below, I request that the AWBA defer the legislation this session to allow our organizations to engage in a meaningful dialogue about whether—and under what circumstances—CAWCD's 4-cent tax monies might be utilized by the AWBA to acquire long-term storage credits. I make this request in the interest of protecting and advancing the long-standing cooperative relationship between our organizations.

As an elected body, the CAWCD Board takes very seriously its sovereign authority to levy property taxes. Therefore, the CAWCD Board expects to be formally notified and consulted regarding any proposals to expand the statutorily authorized uses of its tax revenues prior to those proposals becoming fully developed legislation. Such an expectation is reasonable and, I believe, is held by all elected bodies within the state, not just the CAWCD Board.

Unfortunately, in the case of HB 2326, the AWBA failed to notify CAWCD of its intent to expand the statutorily permitted uses of CAWCD's 4-cent tax revenues, if indeed that was the AWBA's intent. The AWBA Chair, as well as AWBA and ADWR staff, assured CAWCD in December 2013 that the legislation would not include CAWCD's 4-cent tax revenues. CAWCD first became aware that the AWBA's proposed legislation would allow the use of CAWCD's 4-cent tax revenues to acquire long-term storage credits on January 7, 2014, when the draft bill was shared with stakeholders at the Rump Group meeting. I understand that was also the first opportunity that AWBA commissioners had to see the proposed legislation. HB 2326 was dropped 9 days later, before CAWCD had an opportunity to discuss the bill with AWBA and even before AWBA commissioners had a chance to discuss the bill among them.

Following the introduction of the legislation, the AWBA Chair assured CAWCD's General Manager and other CAWCD staff that the inclusion of CAWCD's 4-cent tax revenues as a funding source was a drafting mistake and that the funding

Source was always intended to be limited to ADWR's groundwater withdrawal fees.

Further, the process to develop HB 2326 was inconsistent with the long-standing protocol for vetting water-related legislation in the Arizona water community. That protocol calls for an open, inclusive process that attempts to achieve consensus before a bill is introduced. Public entities such as CAWCD, ADWR and AWBA have been particularly insistent that this protocol should be followed to promote cooperation and cohesiveness within the Arizona water community.

CAWCD's initial approach to HB 2326 was to seek an amendment to exclude reference to CAWCD's 4-cent tax revenues. CAWCD wanted to support AWBA's attempt to obtain legislative authority to acquire long-term storage credits, but to clarify that this new authority could not be funded with 4-cent taxes. We were hopeful that this approach would be fruitful and we believed we were moving towards consensus with your staff on amendment language. CAWCD has now been advised that other entities will oppose its amendments to HB 2326 in the House Agriculture and Water Committee, raising the specter of a public controversy at the legislature.

The process to develop HB 2326 was neither open nor inclusive. There was no opportunity for dialogue among stakeholders, especially with regard to the use of CAWCD's 4-cent tax revenues to acquire long-term storage credits. That conversation must occur before HB 2326 advances. Importantly, no compelling argument has been put forth for why HB 2326 must move this session or what harm may occur if the bill is deferred pending the outcome of these necessary discussions. Excess CAP water is available for the AWBA in 2014 and will be in 2015 as well. While a Colorado River shortage is possible as early as 2016, that still leaves ample time to engage in stakeholder discussions about the AWBA legislative proposal.

Because of the process taken to develop HB 2326, our organizations now face the possibility of public controversy at the legislature. This would be an unfortunate and undesirable outcome that is not in either of our best interests, nor is it in the best interests of the water users we serve. I believe the better course is to defer the bill for now so that our organizations and all interested stakeholders can have the opportunity to meet and discuss this important issue. I hope you will agree.

Sincerely,



Pamela Pickard, Board President
Central Arizona Project
Board of Directors