

ARIZONA WATER BANKING AUTHORITY
Thursday, November 12, 2009

	Name (Please print)	Affiliation	Phone No.
1	JEFF EHLERS	SRP	602 236-5504
2	Dee Korick	Tucson Water	520-837-2238
3	Larry Dozier	RAP	
4	Tony DeMarzo	Senete	602-926-3171
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Arizona Water Banking Authority
3550 N. Central Avenue, Phoenix, Arizona 85012
Telephone 602-771-8487
Fax 602-771-8685
Web Page: www.azwaterbank.gov

PLEASE POST

NOTICE OF PUBLIC MEETING

Pursuant to A.R.S. § 38-431.02, notice is hereby given that there will be a meeting of the Arizona Water Banking Authority Commission on Thursday, November 12, 2009 at 1:00 p.m. at the Arizona Department of Water Resources, 3550 North Central Avenue, Phoenix, Arizona 85012, Director's Conference Room. The meeting is open to the general public.

Dated this 10th day of November, 2009

FINAL AGENDA

Arizona Water Banking Authority Commission Meeting

Members of the commission will attend either in person or by teleconference.

- I. Welcome/Opening Remarks
- II. Amended 2009 Plan of Operation
 - Discussion and potential amendment of 2009 Plan of Operation
- III. Discussion and potential approval of correspondence addressing ADWR's budget reduction submittal to the Governor's Office of Strategic Planning and Budget
- IV. Call to the Public

All visitors must use the south elevators; please stop at the 2nd floor to sign-in and receive a visitor's badge. Badges are to be displayed at all times. Visitors are also required to sign out and return their badges. Thank you for your assistance.

Persons with a disability may request a reasonable accommodation, such as a sign language interpreter, by contacting Virginia O'Connell at (602) 771-8491, TDD # (602) 771-8501. Requests should be made as early as possible to allow time to arrange the accommodation.



SOUTHERN NEVADA WATER AUTHORITY

1001 South Valley View Boulevard • Las Vegas, NV 89153
(702) 258-3939 • snwa.com

November 4, 2009

Kim Mitchell, Manager
Arizona Water Banking Authority
3550 North Central Avenue
Phoenix, Arizona 85012

Dear Ms. Mitchell:

SUBJECT: SOUTHERN NEVADA WATER AUTHORITY NOTICE OF AVAILABILITY OF UNUSED APPORTIONMENT FOR STORAGE BY ARIZONA WATER BANKING AUTHORITY – 2009

Pursuant to the Storage and Interstate Release Agreement and the Second Amended Agreement for Interstate Water Banking, the Southern Nevada Water Authority (Authority) would like to release to Arizona up to 40,000 acre-feet of unused Nevada basic apportionment. The Authority requests that the Arizona Water Banking Authority (AWBA) store this water on our behalf during 2009. Enclosed is the Authority's letter to the Bureau of Reclamation of our intended action. The AWBA's ability to work with the Central Arizona Project and other partners will contribute greatly to the coordinated efforts to manage the water available to Nevada.

The Authority requests that the AWBA notify the Authority and the Secretary of the Interior, if the AWBA can store up to 40,000 acre-feet released during 2009.

If you have any additional questions, please contact William Rinne, Director of Surface Water Resources at (702) 691-5255. Thank you for consideration of this request. We appreciate your willingness to help southern Nevada secure future water supplies.

Sincerely,

Kay Brothers
Deputy General Manager
Engineering and Operations

KB:WR:TM:lmv
Enclosure

cc: William Rinne, Director, Surface Water Resources, Southern Nevada Water Authority
John Entsminger, Deputy General Counsel, Southern Nevada Water Authority
Jeffrey Johnson, Division Manager, Water Management and Accounting Division,
Southern Nevada Water Authority
George Caan, Director, Colorado River Commission of Nevada
Jennifer Crandall, Senior Deputy Attorney General, Colorado River Commission of Nevada
Herb Guenther, Director, Arizona Department of Water Resources
Larry Dozier, Deputy General Manager, Central Arizona Water Conservation District
Lorri Lee, Regional Director, Lower Colorado Regional Office, Bureau of Reclamation
Terry Fulp Deputy Regional Director, Lower Colorado River Regional Office,
Bureau of Reclamation
William Hasencamp, Program Manager, Metropolitan Water District of Southern California
Gerald R. Zimmerman, Executive Director, Colorado River Board of California

SNWA MEMBER AGENCIES

Big Bend Water District • Boulder City • Clark County Water Reclamation District • City of Henderson • City of Las Vegas • City of North Las Vegas • Las Vegas Valley Water District



SOUTHERN NEVADA WATER AUTHORITY

1001 South Valley View Boulevard • Las Vegas, NV 89153
(702) 258-3939 • snwa.com

November 2, 2009

Ms. Lorri Lee, Regional Director
Bureau of Reclamation
Lower Colorado Regional Office
P.O. Box 61470
Boulder City, Nevada 89006

Dear Ms. Lee:

**SUBJECT: SOUTHERN NEVADA WATER AUTHORITY INTERSTATE BANKING DURING
CALENDAR YEAR 2009**

At the recent Inadvertent Overrun Payback Policy (IOPP) meeting in Las Vegas on October 20-21, 2009, staff from your office, the Central Arizona Project (CAP), the Metropolitan Water District (MWD), and the Southern Nevada Water Authority (Authority) discussed issues concerning Intentionally Created Surplus (ICS) and release of Nevada's unused basic apportionment for interstate banking in 2009.

The 2007 Colorado River Interim Guidelines, finalized in December 2007, identified procedures for ICS. Subsequent work to develop *Plans of Creation* (Plan) for ICS in 2008 and 2009, based on the Guidelines, precluded submittal of the Plans until the third and fourth quarter of 2008. Both the MWD and the Authority put forth plans to aggressively pursue conservation efforts for water supply and ICS purposes. The MWD submitted its ICS Plan for 2009 in late 2008. The Authority's Plans to create ICS in 2008 and 2009 were approved by the Bureau of Reclamation (Reclamation) in December 2008, following consultations with Arizona, California, and the Upper Basin.

In addition, the CAP was involved in a process to address the fact that they had customer orders for water for underground storage in 2009 that exceeded the available supply by 200,000 acre-feet (af). The Authority also anticipated the need to direct Nevada unused basic apportionment for interstate storage with the MWD.

Unfortunately, the volume of activities and work concerning Bi-national issues, Decree Accounting, the Colorado River Basin Study, Unused Basic Apportionment Policy, and the Inadvertent Overrun and Payback Policy, impacted completion of required work associated with ICS in 2009 for the MWD.

We are now approaching the end of 2009 and find that 1) the MWD has been very successful in conserving water for use and creating ICS; 2) the Authority has requested the Secretary of the Interior (Secretary) to make unused apportionment available for interstate storage with the MWD and would like to request approval for interstate storage in Arizona through the Water Order process in the near future; and 3) the CAP has a process for apportioning a limited supply of water for underground storage and has begun the process to store some of the Authority's unused apportionment in anticipation of the Secretary's approval to direct unused Nevada basic apportionment through a modified Nevada Water Order. We also learned that it may be necessary to reduce groundwater pumping in the Yuma area to address salinity issues with deliveries to Mexico which would reduce water available to the CAP.

SNWA MEMBER AGENCIES

Big Bend Water District • Boulder City • Clark County Water Reclamation District • City of Henderson • City of Las Vegas • City of North Las Vegas • Las Vegas Valley Water District

Ms. Lorri Lee
November 2, 2009
Page 2 of 2

In order to address these challenges, the CAP, the MWD, the Authority, and Reclamation agreed upon a general plan of collaboration at the October 21, 2009 meeting to help ensure that the ICS and interstate storage for 2009 is appropriately credited and accounted for among the entities while ensuring that the Lower Basin States do not exceed their collective allocation and that 2009 Decree Accounting is clear and correct.

At this time, it appears that the MWD will store up to 60,000 af for the Authority. The CAP will use best efforts to store up to 40,000 af of the Authority unused apportionment while also trying to ensure all of Arizona's 2.8 million af is put to beneficial use. The Authority will address its 2009 Tributary Conservation ICS accounting as provided for in the 2007 Colorado River Interim Guidelines, forbearance agreement, and approved 2009 Plan.

We will need Reclamation's continued collaboration and leadership through the remainder of 2009 and through the Decree Accounting process to help us accomplish our goals. We all recognize that other factors beyond our control may impact our current plans, and we encourage Reclamation to continue to provide the most accurate, real-time information available as we complete the 2009 operating year. We also encourage Reclamation to provide the initiative and leadership to collaboratively develop the needed details and timelines to assure timely submittal, review, and approval of ICS Plans in future years and commit our time and energy to assure that goal is reached.

Sincerely,



Kay Brothers
Deputy General Manager
Engineering and Operations

KB:WR:JJ:lmv

cc: Terry Fulp, Deputy Regional Director, Lower Colorado River Regional Office,
Bureau of Reclamation
Herb Guenther, Director, Arizona Department of Water Resources
Tom Carr, Assistant Director, Arizona Department of Water Resources
Kim Mitchell, Manager, Arizona Water Banking Authority
David Modeer, General Manager, Central Arizona Water Conservation District
Larry Dozier, Deputy General Manager, Central Arizona Water Conservation District
Pat Mulroy, General Manager, Southern Nevada Water Authority
William Rinne, Director, Surface Water Resources, Southern Nevada Water Authority
George Caan, Director, Colorado River Commission of Nevada
Jeffrey Kightlinger, General Manager, Metropolitan Water District of Southern California
Roger Patterson, Assistant General Manager, Strategic Water Initiatives,
Metropolitan Water District of Southern California
William Hasencamp, Program Manager, Metropolitan Water District of Southern California
Gerald Zimmerman, Executive Director, Colorado River Board of California

The 2009 Plan of Operation (Plan) has been amended to include additional supplies and water deliveries for interstate banking purposes. The following paragraphs have been changed and constitute the Amended 2009 Annual Plan of Operation.

Page 7, paragraph 3

I. Water Availability

Pursuant to a letter from the Southern Nevada Water Authority (SNWA), up to 40,000 acre-feet of Nevada's Intentionally Created Unused Apportionment (ICUA) could be made available to Arizona. Because of the potential for unused apportionment, the AWBA has amended the Plan to include 40,000 acre-feet of this water. This water is in addition to Arizona's basic apportionment.

Table 2
Amended Water Delivery Schedule (Acre-Feet)
Calendar Year 2009

AWBA-Recharge Sites		Permitted Capacity (AF)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
PHOENIX AMA :															
USF	West Maricopa Combine	25,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	HIEROGLYPHIC -Interstate	35,000	0	0	0	0	0	0	0	0	0	0	0	5,000	5,000
	AGUA FRIA	100,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	TONOPAH DESERT	150,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	TONOPAH Interstate		0	0	0	0	0	0	0	0	0	0	15,000	15,000	30,000
															35,000
CSF	CHANDLER HGTS ID	3,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	NEW MAGMA	54,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	QUEEN CREEK	28,000	0	0	0	0	0	0	0	0	599	2,285	2,671	1,142	6,697
	TONOPAH ID	15,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	GRIIDD		0	0	0	0	403	11,702	13,458	5,369	4,356	0	0	0	0
															41,985
	TOTAL INTRASTATE		0	0	0	0	403	11,702	13,458	5,369	4,955	2,285	2,671	1,142	41,985
	TOTAL INTERSTATE		0	0	0	0	0	0	0	0	0	0	15,000	20,000	35,000
	AMA TOTAL		0	0	0	0	403	11,702	13,458	5,369	4,955	2,285	17,671	21,142	76,985
PINAL AMA :															
CSF	CAIDD	110,000	0	0	0	0	0	0	4,217	15,783	0	0	0	0	20,000
	CAIDD Interstate		0	0	0	0	0	0	0	2,117	3,844	4,289	1,750	500	12,500
	HOHOKAM	55,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	HOHOKAM Interstate		0	0	0	0	0	0	0	0	0	0	0	0	0
	MSIDD	120,000	3,240	2,000	2,500	3,600	6,650	2,010	0	0	0	0	0	0	20,000
	MSIDD Interstate		0	0	0	0	0	1,290	2,990	2,800	2,560	1,000	560	500	11,700
															64,200
	TOTAL INTRASTATE		3,240	2,000	2,500	3,600	6,650	2,010	4,217	15,783	0	0	0	0	40,000
	TOTAL INTERSTATE		0	0	0	0	0	1,290	2,990	4,917	6,404	5,289	2,310	1,000	24,200
	AMA TOTAL		3,240	2,000	2,500	3,600	6,650	3,300	7,207	20,700	6,404	5,289	2,310	1,000	64,200
TUCSON AMA:															
USF	AVRA VALLEY	11,000	480	0	0	605	763	610	389	132	22	0	0	0	3,001
	AV Interstate		0	0	0	0	0	0	0	0	0	0	0	500	500
	PIMA MINE RD	30,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	PMR Interstate		0	0	0	0	0	0	0	0	0	0	0	2,000	2,000
	LOWER SANTA CRUZ	50,000	2,000	0	0	1,855	2,145	0	0	0	0	0	0	0	6,000
	LSC Interstate		0	0	0	0	0	0	0	0	0	0	0	2,500	2,500
	CAVSARP	100,000	0	0	0	4,348	4,910	2,341	0	0	0	0	0	0	11,599
SAVSARP	60,000	0	0	0	0	0	4,525	0	0	0	0	0	0	4,525	
															30,125
CSF	BKW	16,615	0	0	0	0	0	0	0	0	0	0	0	0	0
	KAI FARMS (Red Rock)	11,231	0	0	0	0	0	0	0	0	1,326	974	0	0	2,300
															2,300
	TOTAL INTRASTATE		2,480	0	0	6,808	7,818	2,951	389	132	1,348	974	0	0	27,425
	TOTAL INTERSTATE		0	0	0	0	0	0	0	0	0	0	0	5,000	5,000
	AMA TOTAL		2,480	0	0	6,808	7,818	2,951	389	132	1,348	974	0	5,000	32,425
TOTAL INTRASTATE			5,720	2,000	2,500	10,408	14,871	16,663	18,064	21,284	6,303	3,259	2,671	1,142	109,410
TOTAL INTERSTATE			0	0	0	0	0	1,290	2,990	4,917	6,404	5,289	17,310	26,000	64,200
TOTAL RECHARGE			5,720	2,000	2,500	10,408	14,871	17,953	21,054	26,201	12,707	8,548	19,981	27,142	173,610
DIRECT DELIVERY (Non-Storage):															
Southside Replenishment Bank			0	0	0	0	0	0	0	0	1,000	0	0	0	1,000
Southside Replenishment Obligation			0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL DIRECT			0	0	0	0	0	0	0	0	1,000	0	0	0	1,000
TOTAL DELIVERIES			5,720	2,000	2,500	10,408	14,871	17,953	21,054	26,201	13,707	8,548	19,981	27,142	174,610

INTERSTATE WATER BANKING

Nevada has created 40,000 acre-feet of ICUA. The Plan has been amended to include the storage of this additional water. If additional ICUA is created and capacity is available to deliver and store the ICUA, the AWBA will make every attempt to store the water on Nevada's behalf.

Table 5. Funding for 2009 Amended Annual Plan of Operation

	Funds Available (\$)		Funds Utilized (\$)		Credits (AF)
	AWBA	CAWCD	AWBA	CAWCD	
Withdrawal Fees					
Phoenix AMA	\$0	-	\$0	-	0
Pinal AMA ¹	\$82,000	-	\$82,000	-	0
Tucson AMA	\$682,000	-	\$682,000	-	5,990
Four Cent Tax					
Phoenix AMA	\$0	\$91,032,000	\$0	\$2,600,062	40,480
Pinal AMA	\$0	\$2,478,000	\$0	\$2,000,000	37,200
Tucson AMA ²	\$0	\$10,134,000	\$0	\$1,445,000	13,950
Other					
General	\$0				
Phoenix AMA		-	\$0	-	0
Pinal AMA		-	\$0	-	0
Tucson AMA		-	\$0	-	0
Indian Firming	\$284,000				
Phoenix AMA		-	\$0	-	0
Pinal AMA		-	\$0	-	0
Tucson AMA		-	\$284,000	-	2,490
Gifts, Grants, Donations					
Shortage Reparations ³ (NV):	\$0				
Phoenix AMA		-	\$0	-	0
Pinal AMA		-	\$0	-	0
Tucson AMA		-	\$0	-	0
Interstate Banking					
Nevada ⁴	\$20,748,30		\$15,175,00		59,800
	Total Funds Available		Total Funds Expended		Credits
	\$125,440,300		\$22,268,062		159,910



Janice K. Brewer
Governor

**GOVERNOR'S OFFICE OF
STRATEGIC PLANNING AND BUDGETING**
1700 West Washington, Suite 500, Phoenix, Arizona 85007
(602) 542-5381 • FAX: (602) 542-0868

Eileen I. Klein
Director

September 18, 2009

Dear Agency Director:

Addressing the deficit remains one of the most important issues facing Arizona. To date, the State faces an ongoing deficit of at least \$500 million from fiscal year 2009. In addition, a budget gap of approximately \$400 million remains to be resolved for fiscal year 2010. Combined with anticipated continued growth in caseloads for health and human services, as well as the need for other mid-year budget adjustments, the state faces an operating deficit of at least \$1 billion for the current fiscal year.

While the state budget has been fundamentally unbalanced for several years, this deficit is not merely an issue on paper. The state now faces significant shortfalls in cash flow, as sufficient revenue is not readily available to meet obligations. OSPB has been working with ADOA and the State Treasurer's office to ensure adequate liquidity is maintained and resources are made available so that all authorized payments and payroll can be issued timely.

However, the severity of our fiscal situation has not escaped the notice of the financial markets. As of last week, two major credit rating agencies have now revised downward the State's rating outlook. While credit ratings themselves have not yet been impacted, it is clear that without a comprehensive solution to address the deficit, the State risks paying higher interest rates in the future. This is not only an issue for outstanding debt but for future issuances such as those authorized in the current budget.

Clearly, additional action must be taken to avoid continued financial deterioration. Governor Brewer remains steadfast in her call for a comprehensive deficit solution that minimizes one-time fixes and includes sustainable revenues to account for the state's operational needs. She has applauded those policymakers with the courage and foresight to include revenues as a budget solution. However, the unwillingness of the Legislature as a whole to provide a long-term revenue solution to date necessitates the call for mid-year reductions in expenditures. While it is still possible for the Legislature to provide for needed additional revenues directly or by referring a measure to the ballot, you as directors cannot count on that relief.

Accordingly, at last week's Cabinet meeting, Governor Brewer called upon you to begin preparing for additional reductions for FY 2010. Every agency is being asked to meet a reduction target of 15 percent of the agency's FY 2010 budget.

To that end, please find attached a set of instructions intended to guide you in preparing those reductions. We do not expect that you will be able to reach this target by enacting across-the-board reductions, especially in light of reductions made to date. This request will require you as the organizational leader to assess what functions you simply can no longer afford to perform.

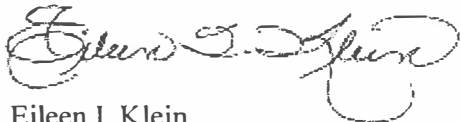
As difficult as this task is, it also affords us the opportunity to think about how to refocus our organizations, maximize their capacity and restructure our resources in the spirit of reform.

In doing so, you should prioritize services based on what is most essential and what the voters or courts have mandated be offered. Rest assured, we will ask the Legislature to relieve agencies of any statutory obligations that are not absolutely essential to fulfilling your missions or mandates.

We recognize how tough these decisions will be. But if we are to ensure the long-term viability of the state, we must restore fiscal order and adjust our operational capacity to a sustainable level.

Thank you for your cooperation and for your strength in leadership during these challenging times.

Yours in service to the great State of Arizona,

A handwritten signature in black ink, appearing to read "Eileen I. Klein". The signature is fluid and cursive, with a large loop at the end.

Eileen I. Klein
Deputy Chief of Staff, Finance
Director, Office of Strategic Planning and Budgeting

STATE OF ARIZONA
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS

Department of Water Resources

We have made several assumptions in the preparation of the FY 2010 Budget Reduction schedules and issue descriptions. The most important are noted below:

1. We anticipate that Personnel Rules will be temporarily suspended in order to allow us to restructure and reorganize remaining personnel into the most efficient and effective workgroups possible. This is imperative to our plan to reduce staffing by approximately 40% and still complete mandated programs.
2. Our estimated Personnel and ERE cost savings were estimated by assuming 13 pay periods were worked and paid. We then took the current leave balances, added six more accruals to bring us to half year, and estimated payoff amounts. We assumed that no leave would be taken before year end to reduce the payout amounts. Those employees who were over the 240 or 320 hour limits were restricted to those upper limits. If leave is taken, the savings to the agency would be greater than estimated here.
3. Licensing Time Frame Rules will also need to be suspended. The current rules are based on completion of tasks with the current workforce, and provide monetary penalties for exceptions. With limited staff, these time frames cannot be met and we need the suspension so that severely decreased funds are not further depleted by refunds and penalties.
4. We expect all remaining Special Line Items to be merged into the Operating Budget so that we have the flexibility to assign remaining personnel as needed to each area.
5. We have complied with the request to show a 15% funding level reduction for General Fund; however, we feel that the 15% funding level reduction request for Non-appropriated funds should exclude more than just Federal funds. The Water Banking Fund, IGA & ISA Fund, General Adjudication Fund and Colorado River Water Use Fee Clearing Fund are all essentially pass-through funds. Monies collected are passed through to other governmental agencies, private contractors and the court system. The Statewide Donations Fund contains only monies received as restricted donations. These funds can only be spent for the purposes defined by the donors. Since we are required to meet a target of 15% for all of these funds, we will propose taking the balance from the Arizona Water Banking Fund.

**FY 2010 BUDGET REDUCTIONS - SUMMARY OF ISSUES
DEPARTMENT OF WATER RESOURCES**

GENERAL FUND

FY 2010 General Fund Budget **18,248,500**

AGENCY REDUCTION TARGET - GENERAL FUND **\$2,737,300**

Priority	Issue Title¹	Reductions Amount	
3	Eliminate remaining non-mission critical General Fund expenditures	\$557,100	3.1%
4	Reduce Administrative Support	\$881,845	7.9%
5	Eliminate Statewide Planning Division	\$424,066	10.2%
6	Reduce adjudication support to the courts	\$242,564	11.5%
7	Reduce Hydrology Division	\$201,231	12.6%
8	Reduce Surface Water Division	\$149,609	13.5%
9	Reduce Water Management Division	\$280,860	15.0%
		Issue Total	\$2,737,275
Fund Total as a Percentage of General Fund Reduction Target			100%

¹ Please complete the attached Description and Impact Statement for each issue.

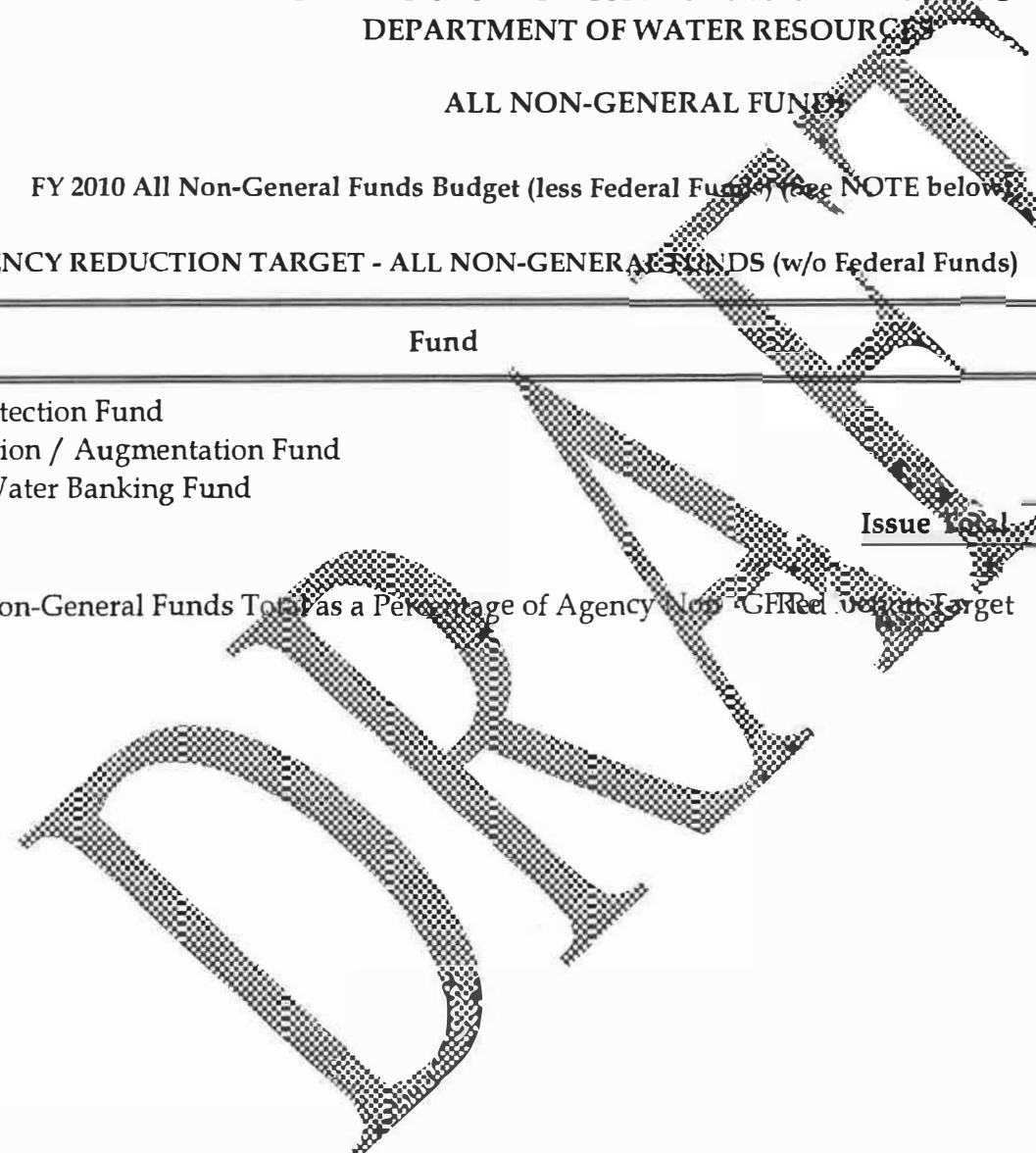
**FY 2010 BUDGET REDUCTIONS - SUMMARY OF ISSUES
DEPARTMENT OF WATER RESOURCES**

ALL NON-GENERAL FUNDS

FY 2010 All Non-General Funds Budget (less Federal Funds) (See NOTE below) **9,159,800**

AGENCY REDUCTION TARGET - ALL NON-GENERAL FUNDS (w/o Federal Funds) 1,373,900

Fund	Reductions Amount	Percent Reductions
Water Protection Fund	\$476,623	34.7%
Conservation / Augmentation Fund	\$111,902	8.1%
Arizona Water Banking Fund	\$785,445	57.2%
Issue Total	\$1,373,970	
All Non-General Funds Total as a Percentage of Agency Non-GRF Reductions Target		100%



**FY 2010 BUDGET REDUCTIONS - SUMMARY OF ISSUES
DEPARTMENT OF WATER RESOURCES**

ARIZONA WATER BANKING FUND

FY 2010 All Non-General Funds Budget (less Federal Funds) 9,159,800

AGENCY REDUCTION TARGET - ALL NON-GENERAL FUNDS (w/o Federal Funds) \$1,373,900

Priority	Issue Title ¹	Reductions Amount
10	Fund taking to make up balance of required target for non-general funds	\$785,445
	Issue Total	\$785,445
	Fund Total as a Percentage of Non-General Fund Reduction Target	57%

¹ Please complete the attached Description and Impact Statement for each issue.

**FY 2010 BUDGET REDUCTIONS - SUMMARY OF ISSUES
DEPARTMENT OF WATER RESOURCES**

ARIZONA WATER PROTECTION FUND

FY 2010 All Non-General Funds Budget (less Federal Funds) 9,159,800

AGENCY REDUCTION TARGET - ALL NON-GENERAL FUNDS (w/o Federal Funds) \$1,373,900

Priority	Issue Title ¹	Reductions Amount
1	Reduction of Water Protection Fund Grants	\$476,623
	Issue Total	\$476,623
	Fund Total as a Percentage of Non-General Fund Reduction Target	35%

¹ Please complete the attached Description and Impact Statement for each issue.

DRAFT

**FY 2010 BUDGET REDUCTIONS - SUMMARY OF ISSUES
DEPARTMENT OF WATER RESOURCES**

AUGMENTATION AND CONSERVATION ASSISTANCE FUND

FY 2010 All Non-General Funds Budget (less Federal Funds)	9,159,800
AGENCY REDUCTION TARGET - ALL NON-GENERAL FUNDS (w/o Federal Funds)	\$1,373,900

Priority	Issue Title ¹	Reductions Amount
2	Reduction of Conservation / Augmentation Grants	\$111,902
	Issue Total	\$111,902
	Fund Total as a Percentage of Non-General Fund Reduction Target	8%

¹ Please complete the attached Description and Impact Statement for each issue.

**STATE OF ARIZONA
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

Department of Water Resources

Issue Title: Reduction of planned Water Protection Fund Grants

Issue Priority: 1

Reduction Amounts:

Water Protection Fund: \$476,623

Total: \$476,623

Issue Description and Statement of Effects

Elimination of two planned grants from the Water Protection Fund

Two planned grants are being eliminated:

Sinclair Wash Riparian Enhancement Project:

The effect of not funding this project is that the channel function and stability will continue to deteriorate, riparian vegetation will not be enhanced and the resulting planned improvement to wildlife corridors will not be realized.

Eagle Creek Riparian Restoration at Filleman Crossing:

The effect of not funding this project is that the Filleman road crossing in Eagle Creek will not be completed. As a result, water quality will continue to deteriorate as sedimentation and turbidity caused by vehicles driving through Eagle Creek will not be mitigated. In addition, the resulting planned protection and enhancement of habitat for federally listed fish and wildlife species will not be realized. Note: The grantee also will lose their Partners for Fish and Wildlife Grant as a result of this action.

Other possible funding sources are the Water Quality Improvement Grant Program administered through ADEQ and the Partners for Fish and Wildlife Program administered through the US Fish and Wildlife Service. The problem is that they both require non-federal matching funds and the Water Protection Fund is usually that source.

The agency provides administrative support to the Water Protection Fund Commission.

A.R.S Title 45, Chapter 12

October 9, 2009

**STATE OF ARIZONA
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

Department of Water Resources

Issue Title: Reduce grants from Conservation / Augmentation Fund

Issue Priority: 2

Reduction Amounts:

Conservation / Augmentation Fund: \$111,902

Total: \$111,902

Issue Description and Statement of Effects

Reduce grants made from Conservation / Augmentation Fund

This reduction eliminates monies that might have been awarded to water providers, communities and other organizations to assist in water conservation program implementation and/or water augmentation activities. The effects of not performing this function in FY10 are manageable. Permanent reductions to this fund going forward, however, reduce one of the few funding sources for water conservation and augmentation programs available for water providers, industries, agriculture, education and children. There are federal funds available for some of these activities through the Bureau of Reclamation but these funds require a substantial non-federal match.

Included within Groundwater Management, Program 2.1
A.R.S. Title 45, Chapter 2, Article 11.

**STATE OF ARIZONA
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

Department of Water Resources

Issue Title: Eliminate remaining non-mission critical General Fund expenditures

Issue Priority: 3

Reduction Amounts:

General Fund: \$557,100

Total: \$557,100

Issue Description and Statement of Effects

Fund only flood warning gages through USGS Contract

Purchase only half of the transducers planned for FY10.

Defer planned computer-related equipment purchases.

Close Santa Cruz Active Management Area office.

Issue no additional Rural Water Studies contracts for FY 2010.

Turn in / turn off additional vehicles and phone equipment as a result of projected layoffs.

- The elimination of the measurement of all but flood warning gages significantly reduces the amount of hydrologic data available to the state and the public. Many of these gages have very long periods of record and the ability to model future water supply conditions in Arizona depend in large part on the quality and amount of this kind of data, especially to assist in determining the surface water/groundwater relationship in many of Arizona's river systems. Our agency and the USGS are actively seeking alternative ways to fund the program through IGAs with other agencies, grants, donations and gifts.
- The USGS gage maintenance contract covers gages used by the Groundwater Management Program (2.1), Hydrology Division (2.5) and the Surface Water Division (3.0).

- Reducing the number of transducers purchased for automated groundwater monitoring sites in rural Arizona will be a manageable reduction for FY10, but if made permanent, will not allow the Department to use this kind of monitoring to gather additional information about groundwater supplies throughout the state. Automated groundwater monitoring is particularly effective and efficient in more remote locations. If this program is unable to continue, we will not be able to capture and record the water level data so important for communities in determining whether they have an assured or adequate water supply. We might explore opportunities to find cooperators in rural Arizona willing to help fund this program. These transducers are purchased as a part of the Groundwater Monitoring SLI, a part of the Hydrology Division (Program 2.5).
- This program has been approved by the Legislature as part of the appropriations process.
- Deferring the purchase of replacement computer-related equipment leaves us vulnerable to outages and downtime at a time when we need all of the technology available to continue the work of the agency.
- Our computer-related equipment is aging. At one time we were on a three-year replacement schedule. Funding cuts forced us to go to a four-year schedule, then a five year schedule. We are currently on an emergency replacement schedule - replace only upon equipment failure. There are no alternative ways to fund this requirement.
- Replacement equipment for the agency is considered to be a part of overhead which is shown within the Administrative program (1.1)

- We have maintained an office in Nogales, Arizona since the Santa Cruz Active Management Area was established in 1994. Closing this office will require all persons and businesses within the AMA to drive to Tucson to conduct agency business. As the Tucson AMA staff will take on the functions of this AMA, delays can be expected.
- This office is a part of the Groundwater Management Division (2.1) Establishment of this AMA is found in A.R.S. § 45-411.03.

- Elimination of the remaining monies available for rural water studies in FY10 effectively stops any new or continuing activities either contemplated or currently underway. To date there are nine studies in various stages of completion The effect of not continuing this program is that both momentum and information for water augmentation and water resource supplies in most of rural Arizona will be stopped. This program is the most effective program to develop this information and to establish watershed organizations and partnerships to see the work forward. There are no other ready sources of money. The Bureau of Reclamation has funds available for certain types of

studies, but requires a substantial non-federal match. The United States Geological Survey performs most of these studies for the Department through this program, and has no separate funding source available to continue them. Rural Water Studies is program 2.8 in the agency's budget submission and is a part of the Statewide Planning Division. The Legislature has supported this program through the appropriations process for at least 10 years as part of the Rural Watershed Initiative.

- The vehicles and phone equipment would come from all areas of the agency that would be reduced or eliminated as a part of this proposal. Any effect of this reduction is manageable.

**STATE OF ARIZONA
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

Department of Water Resources

Issue Title: Reduce Administrative Support to the Agency

Issue Priority: 4

Reduction Amounts:

General Fund: \$881,845

Total: \$881,845

Issue Description and Statement of Effects

Significantly reduce size of Information Technology Division to reflect reduction in size of overall agency.

Significantly reduce size of Administrative Services, including Imaging, Mail Room, Information Management Support and other administrative support areas to reflect reduction in size of overall agency.

Significantly reduce size of Financial Services and Budget areas to reflect reduction in size of overall agency.

Eliminate position of Public Information Officer.

Reduce staff in the Legal Division.

- This would significantly reduce the Information Technology Division of the agency. The affected employees include technical support, network support, programmers, web development and GIS. The effects of not performing the functions are threefold: 1) the agency will be far more vulnerable to security risks than it currently is; 2) the planned efforts to increase program efficiency and improve customer satisfaction through e-government services is an Information Technology initiative that will not take place; and 3) the agency's efforts to enhance communication with its stakeholders and the citizens of the state will be far more difficult, as our ability to have the most current information available through our website and the use of agency listserves to broadcast news and other information will be impossible with such a small

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staff as will remain. There are no known alternative ways to fund this program.

- Affected employees are shown in the Administrative Support Program (1.1) and Groundwater Management Program (2.1).
- The elimination of several functions within the Administrative and Financial Services area will require the agency to off-load most of its required records imaging to the State Library and Archives Division. This will be an additional expense, but there will be net savings. All functions will reduce in size commensurate with a much smaller agency. The effect will be on internal services to employees and will primarily result in delays in having vehicles serviced, mail routed, inventory updated, etc. There are no other ways we know of to fund these programs. There will also be an effect on external services to customers (consultants, public, realtors, etc.) as a result of a staffing reduction in Information Services as they provide assistance in researching well information, surface water registrations, groundwater rights and adjudications for customers.
- Affected employees are shown in the Administrative Support Program (1.1) and Groundwater Management Program (2.1).
- Elimination of the Public Information Officer position will mean that the agency will not have an easily available means of sharing news and information and responding to requests for same. Additionally, public records requests to the agency will be delayed in their processing. The Public Information Officer is a part of the Director's Office, charged to the Administrative Support Program (1.1).
- The Legal Division provides the director and the agency with advice and represents the Department in all legal matters before other departments and agencies of this state, in litigation involving the Department, and the State of Arizona in all matters pertaining to interstate streams, such as the Colorado and the Gila River. This budget reduction plan calls for reducing Legal Division expenses in ways that will not diminish the core activities before the Department. The Department has solicited funds in prior years to hire outside counsel to manage certain critical issues related to the Colorado River and those funds are kept separately in a restricted donations fund. Some of those funds would be available if a sudden legal issue arose in the context of the Colorado River. Some legal staff working on Department activities that require fees are paid partially through those fee funds.

These employees are charged to the Groundwater Management Program (2.1). The Department's authority to employ its own legal staff can be found at A.R.S. § 45-104(F).

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**STATE OF ARIZONA
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

Department of Water Resources

Issue Title: Eliminate Statewide Planning Division

Issue Priority: 5

Reduction Amounts:

General Fund: \$424,066

Total: \$424,066

Issue Description and Statement of Effects

Eliminate Statewide Planning Division, as an organizational unit, and eliminate the Rural Water Studies Program and the Statewide Drought and Conservation Program.

- The agency's Statewide Planning Division has been responsible for many of the innovative water planning activities the agency has accomplished over the past 5 years. The publication of the Arizona Water Atlas, the partnerships with Arizona's watershed organizations, and the substantial support work performed for the Upper San Pedro Water Management District are just a few of its many accomplishments. With this level of budget reduction, however, the agency has no choice but to eliminate these activities because they are not required by statute. As well, the Rural Water Studies program provides substantial benefits to rural Arizona with technical assistance and support for partnerships to solve regional rural water issues. Yet this program is not a required program and so the agency proposes to eliminate it. Similarly, with the Statewide Drought and Conservation program, much needed and foundational work has been completed to create a drought reporting and analysis technical structure as well as an "on the ground" capability with local drought impact groups. Statewide conservation support has assisted rural Arizona with water conservation programs where no one else is available to do so. Yet neither of these two programs is a state requirement, and so the agency proposes their elimination.
- The effects of not performing these functions will be felt throughout rural Arizona, primarily because the Department provided the "glue" for Arizona water studies and efforts outside the Active Management Areas. It will cause

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efforts underway to lose ground as those partners try to regroup without the Department's leadership.

The Bureau of Reclamation and other federal agencies may have some funds available to complete studies nearly finished, but they typically require a substantial non-federal match to do so.

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**STATE OF ARIZONA
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

Department of Water Resources

Issue Title: Reduce adjudication support to the courts

Issue Priority: 6

Reduction Amounts:

General Fund: \$242,564

Total: \$242,564

Issue Description and Statement of Effects

Reduce adjudication support to the courts

- The Department has been on a see-saw relative to funding the significant technical work required by the Court to advance the General Streams Adjudication. In recent years, the agency saw an increase in funds available for this program and has been able to accomplish several key activities including technical reports for the settlement of Indian water right claims, the preparation of the preliminary Hopi Hydrographic Survey Report, the hydrogeologic mapping of the sub-slow zone of the San Pedro River and the commencement of geologic mapping of the Verde River. Additionally the Department has completed key well inventories in support of several Indian water rights settlements. With this proposed reduction plan, the Department will return to the days of limited funding for this program and will be able to provide only administrative-related services to the courts and will not be able to undertake any additional significant technical analysis or investigations. The effects of not performing these functions are additional delays in a proceeding that has been underway for more than 30 years.

We can think of no possible alternative ways to fund the program.

The Department's responsibility to serve as the technical adviser to the Courts is found in A.R.S. § 45-256 and its overall responsibilities are found in Title 45, Chapter 1, Article 9.

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**STATE OF ARIZONA
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

Department of Water Resources

Issue Title: Reduce Hydrology Division

Issue Priority: 7

Reduction Amounts:

General Fund: \$201,231

Total: \$201,231

Issue Description and Statement of Effects

Reduce Hydrology Division

- For the purposes of this budget reduction plan, the Department proposes to reduce the program staffing within the Hydrology Division to those required to sustain the agency's core activities related to basic data collection, management and implementation of the Groundwater Code and its requisite permitting programs such as the Assured and Adequate Water supply program. Activities related to other hydrology data collection and analysis will be sharply reduced, if occur at all. This will mean that the emphasis on basic data collection will remain solely within the AMAs and all groundwater modeling and other water study evaluations will only occur within the context of these critical permitting programs. Rural Arizona will see little to no activity in water measurement or data collection.

The Department is exploring the possibility of significant increases in its program fees that could help mitigate some of the effect of this reduction.

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STATE OF ARIZONA
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS

Department of Water Resources

Issue Title: Reduce Surface Water Division

Issue Priority: 8

Reduction Amounts:

General Fund: \$149,609

Total: \$149,609

Issue Description and Statement of Effects

Reduce Surface Water Division

- To reach the budget reduction level contemplated in this proposal, the Department is required to reduce its activities in all areas of this division: dam safety, flood management and surface water rights. We anticipate the agency will only be able to focus on high hazard dams to the exclusion of all other jurisdictional structures in the state that could become hazardous; will focus primarily on flood management activities paid for by federal grants; and will reduce the size of the surface water rights permitting and investigations unit. Permits will take longer to process and the agency's ability to understand the public safety picture in Arizona as it relates to dam safety and flooding will be curtailed.
- The Department does receive licensing fees associated with the dam safety program but these are not available to the agency for its operations. Instead these fees flow to a Dam Safety Repair Fund so that grants and loans can be made available to owners of structures in need of repair to make them safe. The Dam Safety Repair Fund has been swept several times over the past few years, but it may be possible to fund some agency dam safety operational expenses from this fund if it were made available for that purpose.

The Dam Safety program requirements are found in Title 45, Chapter 6. The Department's responsibilities in floodplain management are found in Title 48, Chapter 21.

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FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS

Department of Water Resources

Issue Title: Reduce Water Management Division

Issue Priority: 9

Reduction Amounts:

General Fund: \$280,860

Total: \$280,860

Issue Description and Statement of Effects

Reduce Water Management Division

- To meet the budget reduction plan requirements, the Department must reduce expenses even within its core activities, including management of the Groundwater Code. In addition to eliminating the Santa Cruz AMA office, the Department proposes to eliminate certain positions related to non-Assured and Adequate Water supply permitting efforts. The effect of this reduction will be that permit processing times will take longer and will delay any business activities relying on these permits that are required to ensure there is a long-term water supply. The Department is exploring mechanisms to increase significantly the fees that are paid for permitting actions and to direct those fees now targeted to the General Fund back to the agency for its operations.

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FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS

Department of Water Resources

Issue Title: Arizona Water Banking Fund Taking

Issue Priority: 10

Reduction Amounts:

Arizona Water Banking Fund: \$785,445

Total: \$785,445

Issue Description and Statement of Effects

Arizona Water Banking Fund Taking

- To meet the budget reduction plan targets, the Department must reduce expenses and offer up balances in non-general fund lines of the budget. The Arizona Water Banking Fund has already contributed far more than its fair share to the General Fund, \$25 million in FY 2009 alone. Unfortunately, this fund is the only one which has a sufficient balance to make up the required reduction plan target. These funds are contractually obligated for the purchase of water. The Department continues to believe these funds are restricted in their use, but for the purpose of this exercise, lists them here.