

ARIZONA WATER BANKING AUTHORITY
Wednesday, April 27, 2009

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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 Tuesday, April 28, 2009 at 9:00 a.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 27th day of April, 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. Discussion and potential adoption of a position statement on legislative transfers from the Arizona Water Banking Fund. Position statement may be forwarded to the Governor and Legislature.
- III. 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.

Impacts of Funds Transfer Out of the Arizona Water Banking Fund

Groundwater Withdrawal Fee Subaccounts

- Leaves insufficient revenues available to store water for Arizona in 2009. Following the legislative transfer, AWBA switched storing water for Arizona (zero balance in withdrawal fee subaccounts) to storing water for Nevada (using interstate money).
- Potentially leaves Arizona's unused water on the Colorado River which could then be diverted by California and Nevada.
- Severely limits the AWBA's ability to act as the State's agent in meeting the Indian Firming commitments made under the Arizona Water Settlements Act (Settlements Act).
- Reduced or eliminating deliveries now results in increasing the impacts of shortages to the Municipal and Industrial users in Central Arizona and along the Colorado River. The Water Bank is no longer able to store water now to offset impacts of shortages in the future.
- Reduces water deliveries to agricultural partners resulting in potential financial hardship to Arizona farmers within the Phoenix and Pinal AMAs due to less water or a higher cost of water.
- Central Arizona Water Conservation District (CAWCD) unable to meet contractual commitment to California. Reduced agricultural deliveries by the AWBA results in farmers unable to recover water in Pinal County which would allow water to remain on the Colorado River for diversion by California. This would limit CAWCD's ability to meet its contract obligations with California to recover water previously stored in Arizona.
- Interest collected from Groundwater Withdrawal Fee subaccounts funds the Administrative costs of the AWBA.

Interstate Water Banking Subaccount

- Affects Arizona's ability to meet contractual obligations of the Amended Agreement for Interstate Water Banking (Agreement).

Under the Agreement, SNWA is required to make two payments to the AWBA, \$100 million and \$230 million. The \$100 million was deposited in the SNWA Resource Account, a subaccount of the Arizona Water Banking Fund. The \$100 million is intended to be an "incentive/insurance" payment to AWBA to guarantee that 1.25 million acre-feet (MAF) of water will be available for SNWA's future use.

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While the AWBA has been able to store approximately 42% of its obligation under the Agreement, that still leaves approximately 700,000 acre-feet to be stored. Because the demand for excess CAP water is high, that water might not be available to the AWBA to meet this obligation; the \$100 million would then be required to purchase a different source of water to meet the remaining obligation. Expending funds from the \$100 million for something other than the purchase of water at this time, could put the AWBA at risk of breaching the Agreement.

The \$230 million is to be deposited in the SNWA Operating Account, a subaccount of the Arizona Water Banking Fund, to be used specifically for the delivery and storage of excess CAP water for SNWA.

Administration Subaccount

- Limits the AWBA's ability to pay the Arizona Department of Water Resources and the Central Arizona Water Conservation District for the services they provide the AWBA under the Inter-Governmental Agreement (IGA).

The AWBA has an IGA with ADWR and CAWCD where they provide essentially all administrative, legal and technical services required in operating the AWBA.

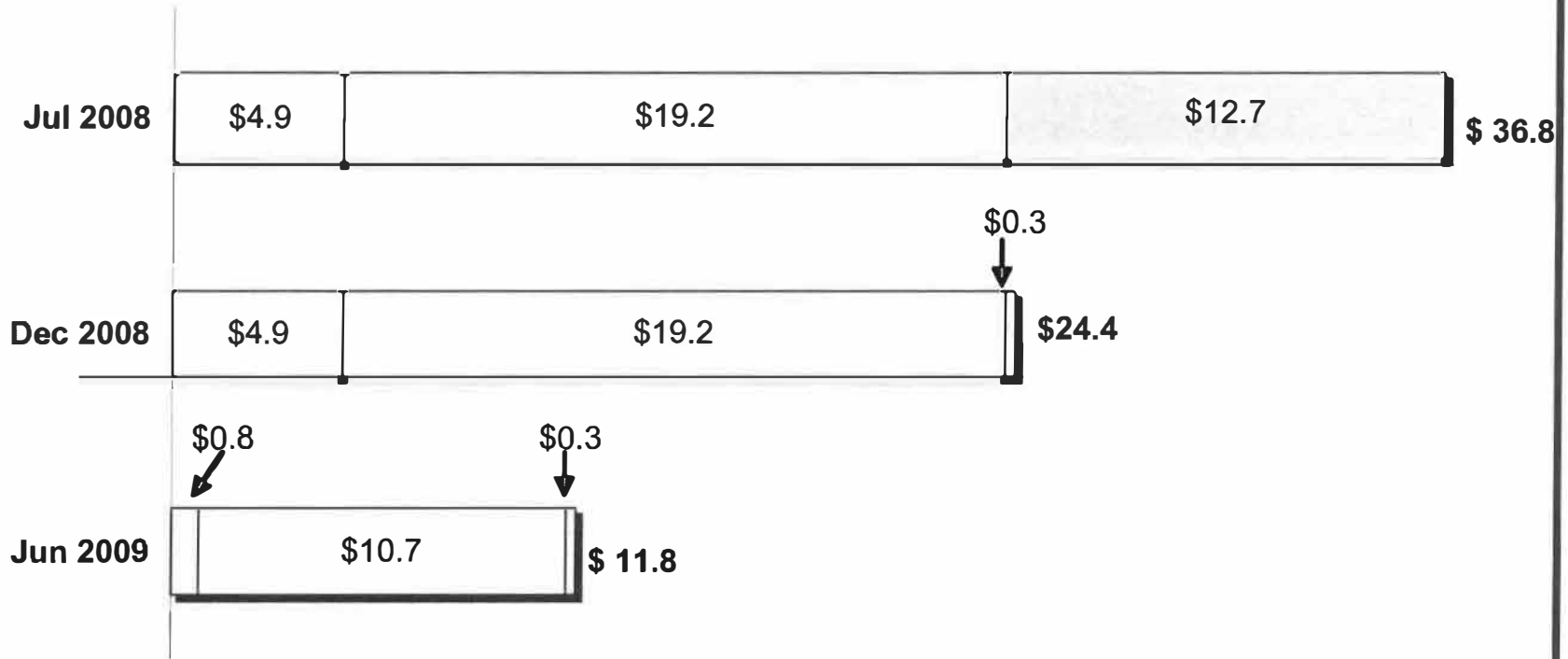
To date, \$37 million has already been transferred from the Arizona Water Banking Fund, and include \$1 million in FY 2002, \$9 million in FY 2004, \$2 million in FY 2005, and \$25 million in FY 2009.

Impact of ADWR Budget Cuts on the AWBA

AWBA is staffed through a cost of services with ADWR and CAWCD. ADWR provides the majority of day to day administrative support while CAWCD provides the technical support to get the water delivered and stored. In the past, the AWBA has reimbursed ADWR and CAWCD for this support from the interest collected on the various sub-accounts in the Arizona Water Banking Fund. ADWR cost of service includes the actual AWBA staff plus several other administrative functions. These functions include, but are not limited to payroll administration, purchasing, information technology support (AWBA web page), legal support, accounting support, and reproduction/mail support.

If ADWR's budget is substantially reduced it could affect ADWR's ability to provide this support in a timely manner. In addition to these functions, several ADWR core functions are required for the AWBA to meet its statutory and contractual obligations. These functions include Annual Report review, maintaining long-term storage credit accounts, review of storage facility activities, calculation of Southside replenishment obligation, review and commenting on the AWBA's Plan of Operation, and providing information on and analysis of Colorado River water uses including projected future shortages. If budget cuts reduce the ability of ADWR to perform these basic functions, then the ability of the AWBA to meet many of its statutory and contractual obligations could be put at risk.

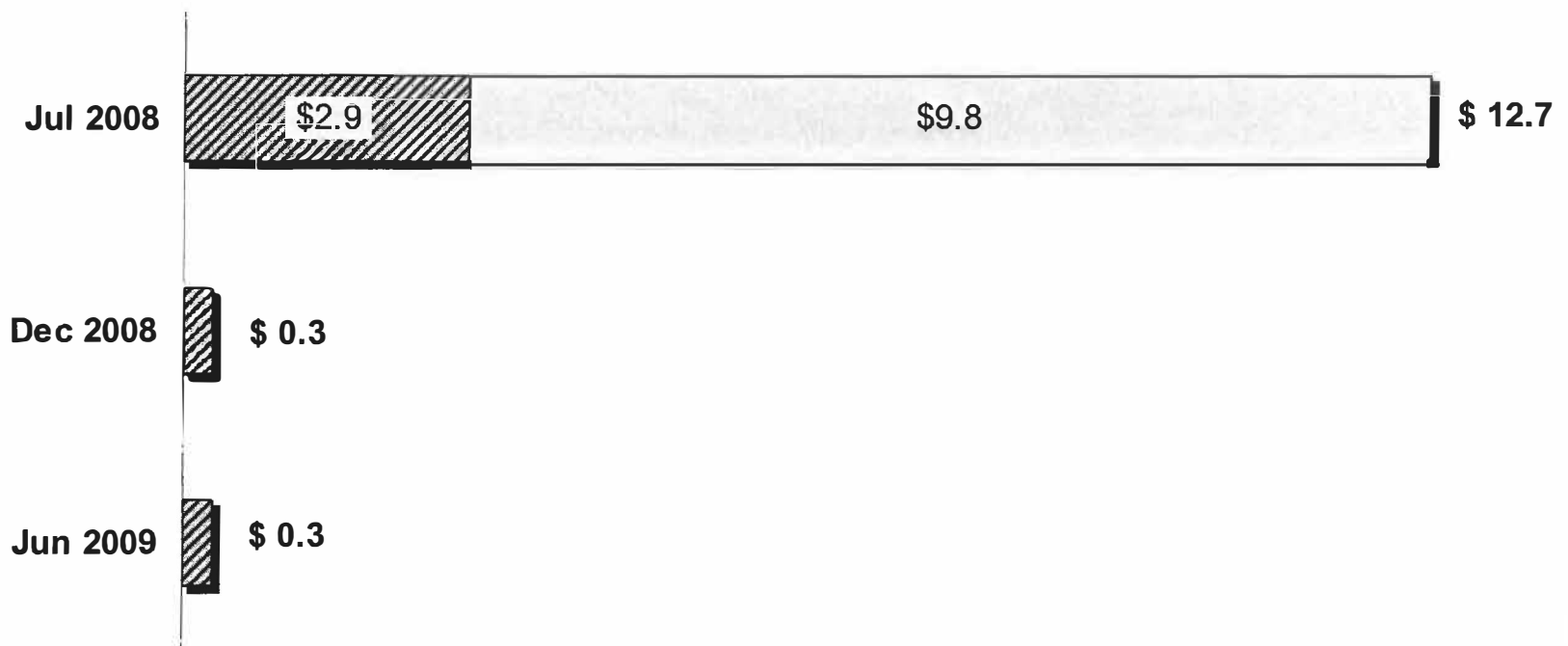
AWBA Estimated Funds Available for CY 2009 Water Purchases



\$ x Million

- Withdrawal Fees
- Nevada Resource
- Indian Firming

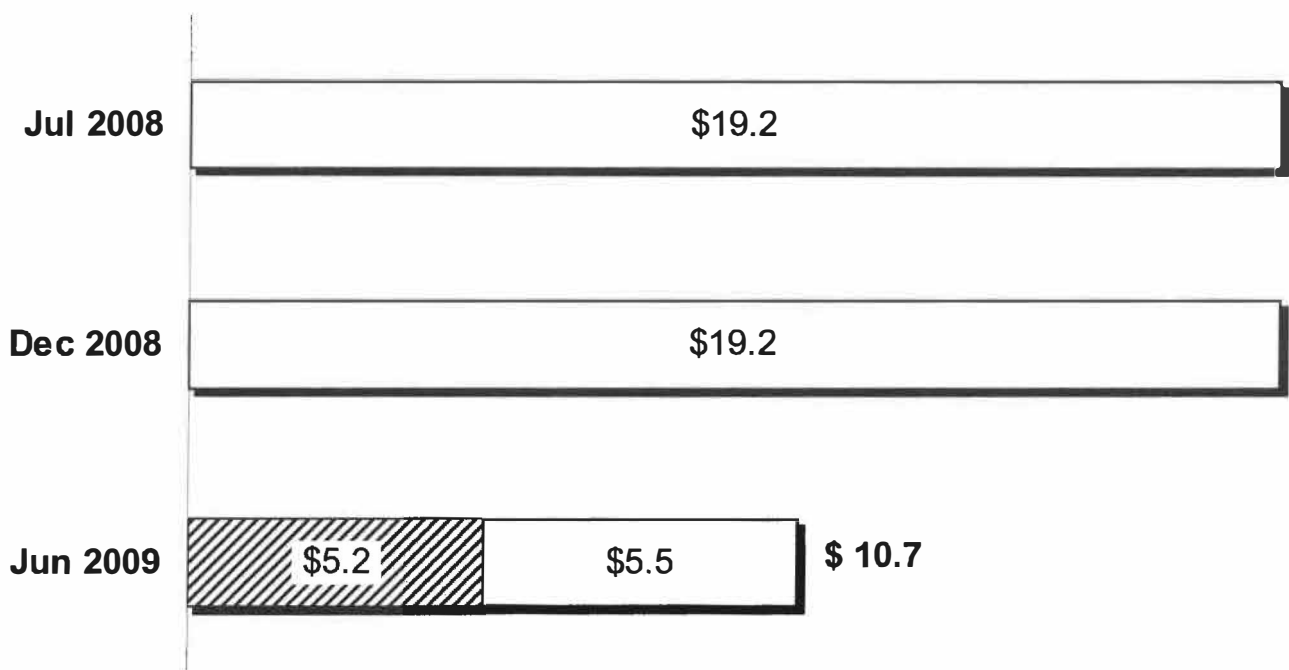
AWBA Estimated Funds for CY 2009 (Indian Firming)



\$ x Million



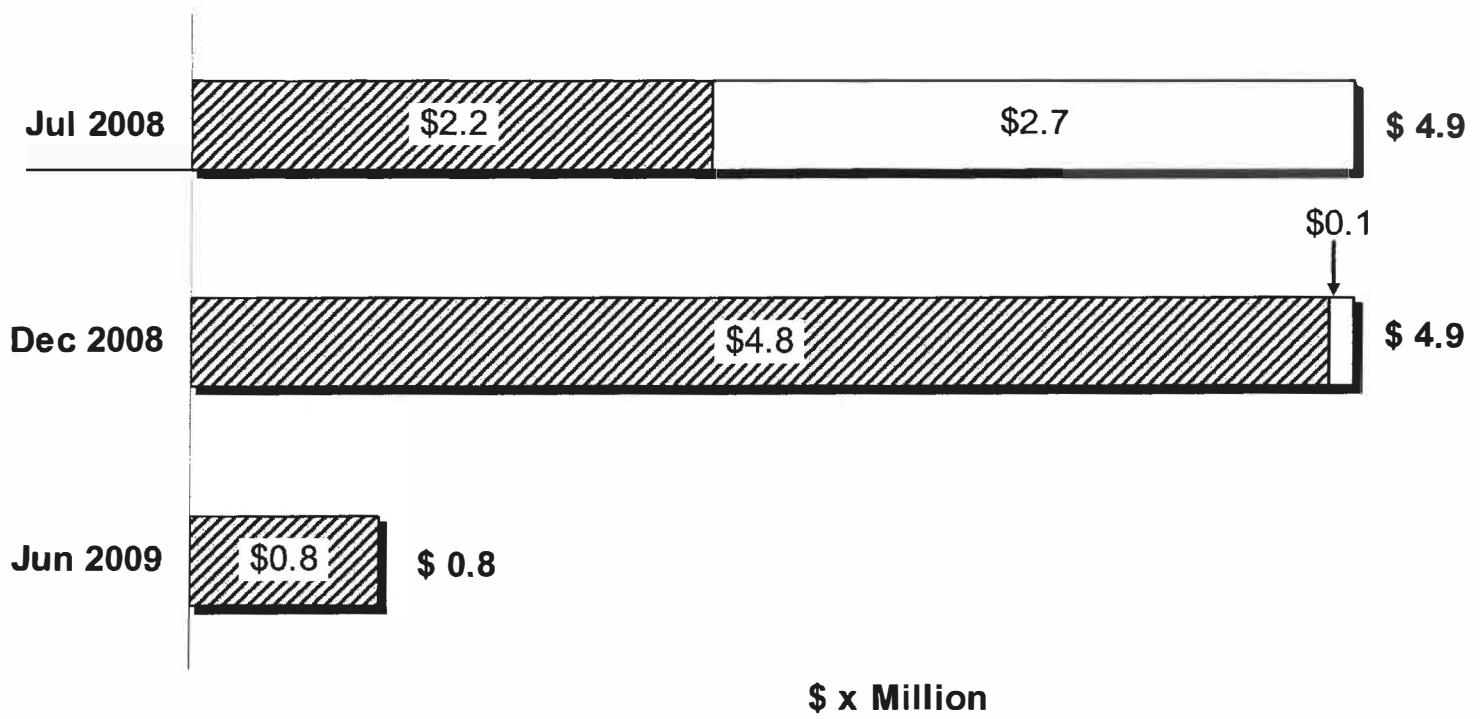
AWBA Estimated Funds for CY 2009 (Nevada Resource Subaccount)



\$ x Million



AWBA Estimated Funds for CY 2009 (Withdrawal Fees)



\$ x Million

▨ Expenditures □ Available