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**NOTICE AND AGENDA OF MEETING OF  
THE ARIZONA WATER BANKING AUTHORITY COMMISSION**

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 Wednesday, **September 17, 2014 at 10:00 a.m.** at the Arizona Department of Water Resources, 3550 North Central Avenue, Phoenix, Arizona 85012, Upper Verde Conference Room. The meeting is open to the general public.

The agenda for the meeting is as follows:

- I. Welcome/Opening Remarks
- II. Approval of Minutes
  - June 18, 2014 meeting
- III. Water Banking Staff Activities
  - Deliveries
  - Colorado River status update
  - Recovery planning update
  - Update on Indian settlement responsibilities
    - Status of White Mountain Apache Tribe settlement
    - Gila River Indian Community firming discussions
    - Status of request for General Fund appropriation for Indian firming
- IV. Discussion of Potential Legislation to Extend the Water Storage Tax
- V. Draft 2015 Plan of Operation
  - Discussion of water delivery schedule
  - Water and facility rates
  - Funding availability
  - Discussion of potential for Inter-AMA firming
  - Discussion of potential purchase of long-term storage credits
  - Public meetings
- VI. Initial Discussion on Future Use of Shortage Reparation Credits
- VII. Call to the Public

**Future Meeting Dates:**

Wednesday, December 3, 2014

Dated this 16<sup>th</sup> day of September, 2014

All visitors must use the south elevators; please stop at the 2<sup>nd</sup> 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 Michelle Moreno at 602-771-8530 or 602-771-8501 (TDD). Requests should be made as early as possible to allow time to arrange the accommodation.*

I. Welcome/Opening Remarks

II. Approval of Minutes of Meeting

**NOTES:**

A correction has been made to page 2, second paragraph.

**ACTION:**

Move approval of June 18, 2014 AWBA meeting minutes.

ARIZONA WATER BANKING AUTHORITY  
Draft Minutes

June 18, 2014  
Arizona Department of Water Resources



AUTHORITY MEMBERS  
Michael J. Lacey, Chairman  
Maureen R. George, Vice-Chairman  
Clifford A. Neal, Secretary  
Jim Hartdegen  
John Mawhinney

EX OFFICIO MEMBERS  
The Honorable Andy Tobin  
The Honorable Gail Griffin

### Welcome/Opening Remarks

Chair Michael Lacey welcomed the attendees. All members of the Authority were present. *Ex-officio* members, Senator Gail Griffin and Speaker of the House Andy Tobin, were not in attendance.

### Approval of Minutes

Chair Lacey asked for a motion to approve minutes from the April 16, 2014 regular quarterly meeting. Vice-Chair, Maureen George moved to approve the minutes. Cliff Neal seconded the motion and the minutes were approved.

### Water Banking Staff Activities

**Monthly Deliveries.** Ms. O'Connell gave an overview of deliveries in 2014 stating that while a little behind in Phoenix and Tucson, the AWBA is on target having delivered around a third of its expected deliveries for the year.

**Colorado River Developments.** Chuck Cullom, CAWCD, gave a presentation called "Drought Response and System Sustainability". A copy of the Power Point presentation is located on the AWBA's website for this meeting. Highlights included:

- Lake Mead and Powell have been depleted by 25 million acre-feet since 2000 under normal conditions, about 41-43% of their capacity
- Structural deficit of 1.2 million acre-feet is contributing to lake level elevation declines
- CAP is forced to bear the obligations of others
- For a shortage to be avoided in 2017, 15.2 million acre-feet of inflow into Lake Powell is required
- Since 1964, there have only been 8 such inflows so the probability is low; thus there is a high likelihood of a Tier 1 shortage declaration in 2017
- No water will be available to AWBA if a shortage is declared in 2017
- Structural deficit will also cause Lake Mead to fall below 1,000 feet elevation at which time it will take an estimated 15 years to recover back to the 1,075 feet elevation level
- Looking for a proactive alternative that is mutually agreed upon by the Lower Basin states and the USBOR to reduce the deficit by 600,000-900,000 acre-feet

Tom Buschatzke addressed the AWBA saying that a year ago, another modeling effort showed the same results. To address the structural deficit, the states have been getting together to look at short, mid and long-term views. Over the last year, the lower basin states have started to focus more on the short-term view and the idea of reducing use by 1.5 to 3 million acre-feet over the next five years. CAP and ADWR are reaching out to the other basin states, particularly California, to help them see the potential impact on their states. Additionally, ADWR has been to Yuma to discuss some risks the Yuma area may have not previously considered. He indicated that these



discussions were making progress.

Chair Lacey asked if the AWBA needs to revisit the Recovery Planning effort to determine what the impact of this information might be. Ms. O'Connell responded that staff will update its analyses as new information is made available by the USBOR which would include the analysis for recovery planning. Chair Lacey asked if the modeling being done to support the analysis described by Mr. Cullom was ready for incorporation into the Recovery Planning modeling. Mr. Cullom responded that it was.

Authority members asked if the results shown by Mr. Cullom are an outcome of climate change or something else. Mr. Cullom explained that the results of the analysis can be attributed to a mass balance problem. Ms. George cautioned Commission members that the AWBA ~~should~~could only distribute credits during a shortage event. The credits were originally not intended to be used in the event water users are asked to cut back in advance of such an event, but the AWBA may want to reconsider that matter.

Tom McCann, CAWCD, suggested waiting six months before updating the modeling since everything is too speculative at this time. Mr. Neal expressed concern about a recent article in the New York Times regarding this issue. He asked when he could report back to his mayor that the problem is being addressed. He wanted to know when the Secretary of Interior will make a decision about the proposal the Lower Basin states will present in July. Mr. McCann indicated that he did not have a specific timeframe in which a decision would be made and that it might not occur in the near term. He added that the articles were incorrect in stating that the shortage would be affecting cities.

**CAWCD 4¢ Tax Resolution.** Ms. O'Connell informed Commission members that at its meeting on June 5, 2014, the CAWCD Board set the water storage tax rate at 4¢ for 2015 and that the resolution regarding the use of those funds was the same as last year. She also informed members that discussions on the possible extension of the water storage tax are expected to begin in the fall of 2014. Mr. Mawhinney asked about the AWBA's request to change the language in the Board resolution back to including use by the AWBA. Ms. O'Connell indicated that she had previously discussed that revision with CAWCD staff. She noted that while AWBA storage has not been specifically identified, CAWCD includes storage by the AWBA for M&I firming under the definition of OM&R and that the CAWCD Board continues to support use of the funds for this purpose. Chair Lacey suggested that a joint meeting between the CAWCD Board and the AWBA Authority would perhaps help address this issue. The members agreed and Mr. Lacey directed staff to organize a joint meeting. Mr. Neal asked if the resolution considers the purchase of credits by the AWBA to be a part of OM&R. Ms. O'Connell indicated that staff will confer with CAWCD staff on the potential for purchasing credits when developing the Annual Plan of Operation. The Plan that is adopted will identify the amount of money the AWBA will request to purchase a targeted amount of credits. The CAWCD Board will then agree or not to set aside revenues it collects for that tax year for that purpose.

**Inter-AMA Storage Proposal.** Ms. O'Connell briefed Authority members on a joint proposal from the Arizona Municipal Water Users Association and the Southern Arizona Water Users Association (available on AWBA's website). She noted that additional legal and technical review was needed to determine if an exchange agreement was

needed for the AWBA to participate. Mr. Mawhinney asked how long the review would take. Ms. O'Connell indicated she would have more answers at the next meeting. Mr. Neal added that any issues rested with self-firming by subcontractors and not with firming by the AWBA. He suggested the AWBA move forward and place an order that shows 4¢ water storage tax from Maricopa being used for deliveries to the Tucson AMA. Ms. O'Connell indicated an order would be placed for all water available to the AWBA irrespective of the source of funding.

**GRIC Firming Discussions.** Ms. O'Connell updated Authority members on the status of the intergovernmental agreement with the Gila River Indian Community on firming. AWBA and GRIC staff has been meeting. Based on those discussions, staff has drafted an IGA which has been forwarded to the GRIC. The IGA provides for a number of firming options to be available to the parties. When the AWBA has a firming requirement, the parties can select the best option for that particular year and implement it. She expects to have another meeting in July.

### **2013 Annual Report**

Ms. O'Connell presented the Annual Report, the details of which are available in the Annual Report itself and the related PowerPoint presentation. Highlights include:

- AWBA delivered over 78,000 acre-feet for storage in 2013; around 72,000 acre-feet of credits accrued (29,000 acre-feet in Phoenix AMA, 18,000 acre-feet in Pinal AMA, 25,000 acre-feet in Tucson AMA)
- Revenues collected were about \$5.7million; expenditures were \$11.2million including \$7.5 million in 4¢ tax monies used to offset water delivery costs for storing water
- Cumulative credits accrued by AWBA to date are 3.9 million acre-feet of credits (3.3 million acre-feet for Arizona uses and around 600,000 acre-feet for Nevada uses)

Mr. Hartdegen asked if the AWBA had a received general fund monies last year, where would the Pinal AMA withdrawal fees have been used if they did not have to be used to deliver water to the Southside Replenishment Bank (SSRB). Ms. O'Connell explained that the AWBA would have made the decision on whether to spend those monies to purchase and deliver more water for storage in the Pinal AMA. Mr. Hartdegen asked if we would be using the Pinal AMA withdrawal fees for future SSRB deliveries if no general fund appropriation was forthcoming. Ms. O'Connell responded affirmatively noting that these are the only other monies available for this purpose.

Terri Sue Rossi, AWBA, then presented the Ten-Year Plan, the details of which are available in the Annual Report itself and the related PowerPoint presentation.

Conclusions include:

- Water supply available to AWBA is diminishing and region moving closer to shortage conditions with a high likelihood of shortage in 2017
- Shortage condition means no water for AWBA
- If recovery is triggered, then Indian obligations are expected to be affected first followed by on-River responsibilities

- If water is available according to the schedule provided by CAWCD, then Phoenix AMA will meet its firming goal in 2021
- Pinal AMA firming goal can be attained assuming water availability and assuming the use of roughly 25,000 acre-feet of existing withdrawal fee credits
- Tucson AMA firming goal cannot be met
- SSRB fully subscribed by 2015
- Indian firming goals can be met but will have to use withdrawal fee credits
- Tucson AMA dependent on 4¢ water storage tax
- 4¢ water storage tax will be exhausted in Pinal and Tucson AMAs by 2017
- Indian firming goal may be 230,000 acre-feet too low given recent modeling to re-evaluate AWBA firming goals

Recommended actions include:

- Focus on Indian firming goals by developing agreements for satisfying Indian firming obligations, completing deliveries to the SSRB and seeking general fund appropriation to support Indian firming
- Implement next steps in Joint Recovery Plan
- Decide if numeric goals should be adjusted and if so how
- Establish policy on use of shortage reparation credits
- Apply Tucson AMA withdrawal fee credits to M&I firming
- Continue evaluating inter-AMA storage
- Supplement deliveries of Excess CAP water with purchase of LTS credits
- Pursue the continuation of the 4¢ water storage tax beyond 2016
- Develop public outreach program
- Revise Action Plan Year-One Accomplishments to align with Ten-Year Plan

Mr. Neal mentioned that the Granite Reef Underground Storage and Recovery Project or GRUSP has been re-developed and is expected to be available for operation. He asked staff to consider GRUSP in its future Annual Operating Plan and Ten-Year Plans. Mr. Neal then moved to approve of the 2013 Annual Report and Ten-Year Plan as submitted, or with minor or technical changes, and direct staff to submit the report to Governor, Speaker of the House and President of the Senate. Mr. Hartdegen seconded the motion and the Annual Report and Ten-Year Plan was approved.

### **Request for General Fund Appropriation for Indian Firming**

Ms. O'Connell reminded the Authority members of the details of last year's request for an appropriation to pay for deliveries to the SSRB. With that as context, she presented a proposal for this year's request. The request included several options for deciding the amount of the request. After considerable discussion, members agreed to request a total of \$895,000 to cover the entire 5,000 acre-feet of planned deliveries to the SSRB in 2015. This amount should include a request to appropriate an estimated \$230,000 of non-reconcilable interstate monies already in the Water Banking Fund that can be used for this purpose.

The Authority also discussed whether or not the request should be submitted through ADWR's budget or if the Authority should make the request directly to the Governor's Office. Chair Lacey indicated he would discuss the matter with the Governor's Office and if there's an issue he will bring that forward.

Mr. Mawhinney made a motion to approve a submittal for a General Fund appropriation to the Governor's office in the amount of \$895,000 including funds remaining in the Arizona Water Banking Fund pursuant to execution of the Third Amended and Restated Interstate Water Banking Agreement. Mr. Mawhinney incorporated into his motion that the request include sufficient context to establish a full accounting of what the Indian firming obligation will cost and what has been paid to date and the monies that were used. Mr. Hartdegen seconded the motion and the motion passed.

### **FY 2015 Administrative Budget**

Ms. O'Connell reviewed the Fiscal Year (FY) 2014 budget and presented the proposed FY 2015 administrative budget. She noted that the \$690,000 adopted for FY 2014, actual expenditures totaled \$462,000. For FY 2015, the AWBA is proposing \$656,000.

Mr. Mawhinney noted that the contract for Henley Consulting did not appear in the budget. He asked for clarification on this point. Ms. O'Connell indicated that Mr. Henley's services were not included. Mr. Neal expressed concern that Mr. Henley's services would be needed as the AWBA heads toward difficult times. Mr. Mawhinney asked if the AWBA still has a contract with Mr. Henley. Ms. O'Connell indicated that the contract would expire June 30<sup>th</sup>, but that it was renewable.

Mr. Mawhinney moved to adopt the FY 2015 budget with the understanding that the Henley Consulting services would continue and be taken out of Professional & Outside Services. The Authority also directed staff to delete the single line item called Action Plan under Professional & Outside Services. Mr. Neal seconded the motion and the motion passed 4-1 with Vice-Chair George voting nay.

### **Call to the Public**

There were no comments from the public. Chair Lacey announced the next meeting dates and asked for a motion to adjourn. The meeting adjourned at 1:03 p.m.



III. Water Bank Staff Activities

**NOTES:** (No action required, agenda item for discussion only)

Call on **Virginia O'Connell** to update members on monthly deliveries.

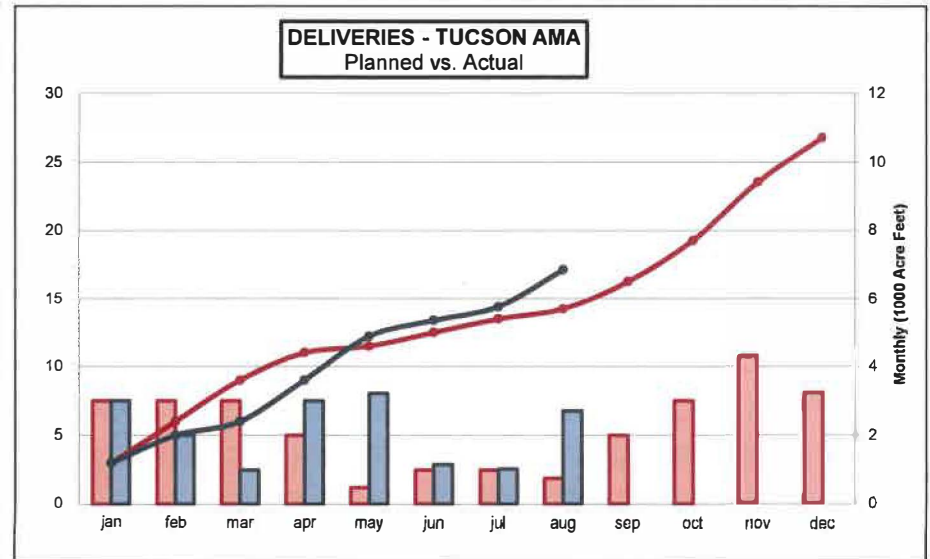
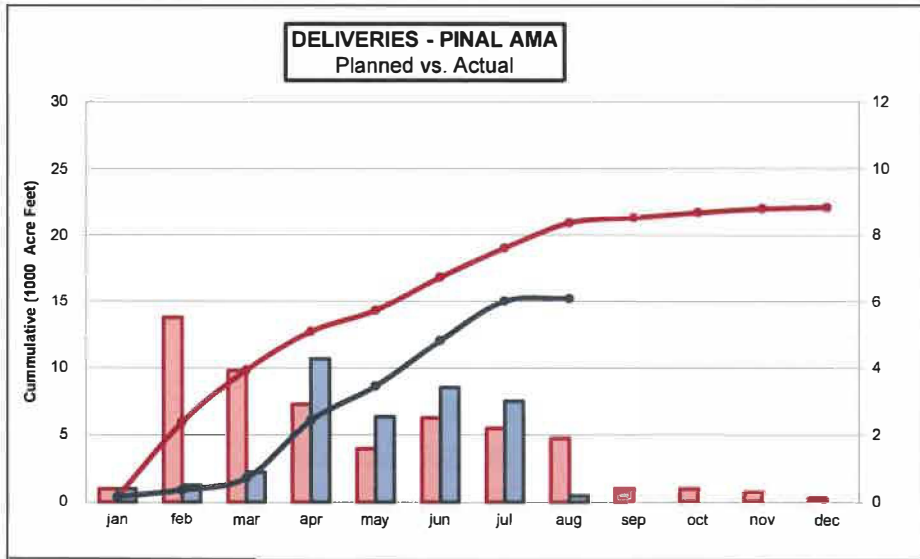
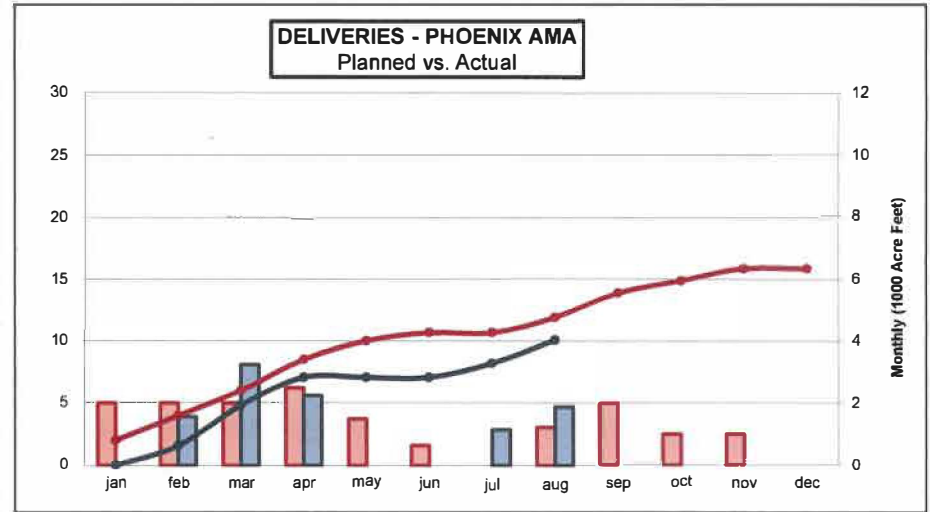
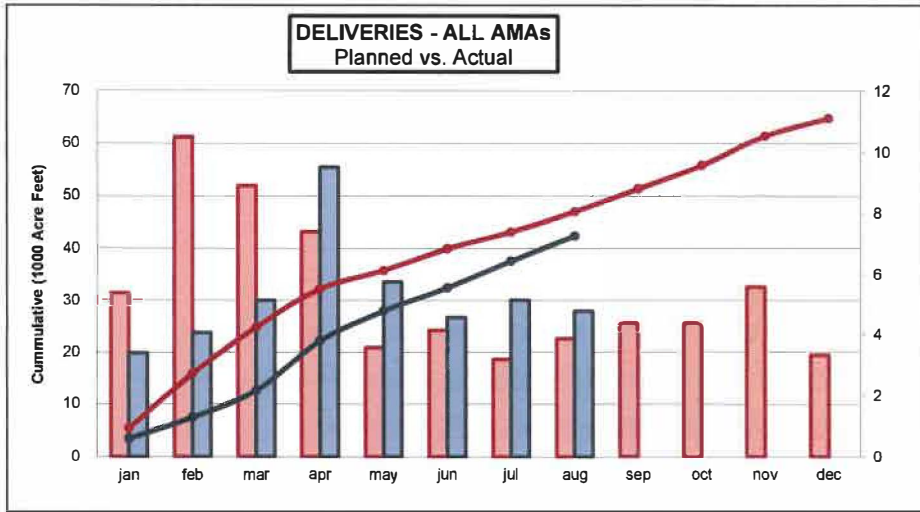
Call on **Patrick Dent** to provide an update on Colorado River supplies.

Call on **Laura Grignano** to discuss the results of the Recovery Partner Surveys.

Call on **Virginia O'Connell** to provide an update on Indian settlement responsibilities.

**ACTION:** None

# 2014 Plan of Operation - INTRASTATE



■ PLANNED (MONTHLY)   
 ■ ACTUAL (MONTHLY)   
 —●— PLANNED (CUM)   
 —●— ACTUAL (CUM)

Actual Deliveries 2014  
Plan of Operation

16-Sep-14

	jan	feb	mar	apr	may	jun	jul	aug	sep	oct	nov	dec	total
<b>Phoenix AMA</b>													
HIEROGLYPHIC MTNS	0	0	1,320	660	0	0	0	660	0	0	0	0	2,660
	500	500	500	500	0	0	0	0	0	0	0	0	2,000
AGUA FRIA	0	548	0	0	0	0	1,132	0	0	0	0	0	1,680
	500	500	500	500	1,500	647	0	0	0	0	0	0	4,147
TONOPAH DESERT	0	0	0	0	0	0	0	0	0	0	0	0	0
SUPERSTITION MTNS	0	1,020	1,921	1,559	0	0	2	0	0	0	0	0	4,502
	1,000	1,000	1,000	1,500	0	0	0	0	0	0	0	0	4,500
QCID	0	0	0	0	0	0	0	1,207	0	0	0	0	1,207
	0	0	0	0	0	0	0	1,230	2,000	1,000	1,000	0	5,230
Subtotal	0	1,568	3,241	2,239	0	0	1,134	1,867	0	0	0	0	10,049
Total to date	0	1,568	4,809	7,048	7,048	7,048	8,182	10,049	10,049	10,049	10,049	10,049	10,049
Projected total to date	2,000	2,000	2,000	2,500	1,500	647	0	1,230	2,000	1,000	1,000	0	15,877
<b>Pinal AMA</b>													
CAIDD	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	3,000	2,000	700	0	0	0	0	0	0	0	5,700
HIDD	0	0	0	0	0	2,907	2,793	0	0	0	0	0	5,700
	0	0	0	0	0	2,000	2,000	1,700	0	0	0	0	5,700
MSIDD	400	500	900	900	900	500	200	200	400	400	300	100	4,500
	400	500	900	900	900	500	200	200	400	400	300	100	5,700
SSRB	0	0	0	3,361	1,639	0	0	0	0	0	0	0	5,000
	0	5,000	0	0	0	0	0	0	0	0	0	0	5,000
Subtotal	400	500	900	4,261	2,539	3,407	2,993	200	0	0	0	0	15,200
Total to date	400	900	1,800	6,061	8,600	12,007	15,000	15,200	15,200	15,200	15,200	15,200	15,200
Projected total to date	400	5,500	3,900	2,900	1,600	2,500	2,200	1,900	400	400	300	100	22,100
<b>Tucson AMA</b>													
AVRA VALLEY	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	300	700	1,000
LOWER SANTA CRUZ	1,000	1,000	0	0	0	0	0	1,490	0	0	0	0	3,490
	1,000	1,000	1,000	0	0	0	0	0	1,000	1,000	1,500	0	6,500
PIMA MINE ROAD	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	1,000	500	544	2,044
CAVSARP	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0
SAVSARP	2,000	1,000	1,000	3,000	3,000	600	600	500	0	0	0	0	11,900
	2,000	2,000	2,000	2,000	0	0	0	0	1,000	1,000	2,000	2,000	14,000
CMID	0	0	0	0	217	355	423	715	0	0	0	0	1,704
	0	0	0	0	482	1,000	1,000	750	0	0	0	0	3,232
KAI FARMS - Red Rock	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0
BKW FARMS	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	3,000	2,000	1,000	3,000	3,211	1,155	1,023	2,705	0	0	0	0	17,094
Total to date	3,000	5,000	6,000	9,000	12,211	13,366	14,389	17,094	17,094	17,094	17,094	17,094	17,094
Projected total to date	3,000	3,000	3,000	2,000	482	1,000	1,000	750	2,000	3,000	4,300	3,244	26,776
<b>TOTAL</b>													
TOTAL	3,400	4,068	5,141	9,500	5,750	4,562	5,150	4,772	0	0	0	0	42,343
Total to date	3,400	7,468	12,609	22,109	27,859	32,421	37,571	42,343	42,343	42,343	42,343	42,343	42,343
Projected total to date	5,400	10,500	8,900	7,400	3,582	4,147	3,200	3,880	4,400	4,400	5,600	3,344	64,753

# RECLAMATION

*Managing Water in the West*

## **Update on Reclamation Operations and Basin Hydrology**

**Conference Call with CAP and ADWR  
September 11, 2014**



U.S. Department of the Interior  
Bureau of Reclamation



# Colorado River Basin Storage

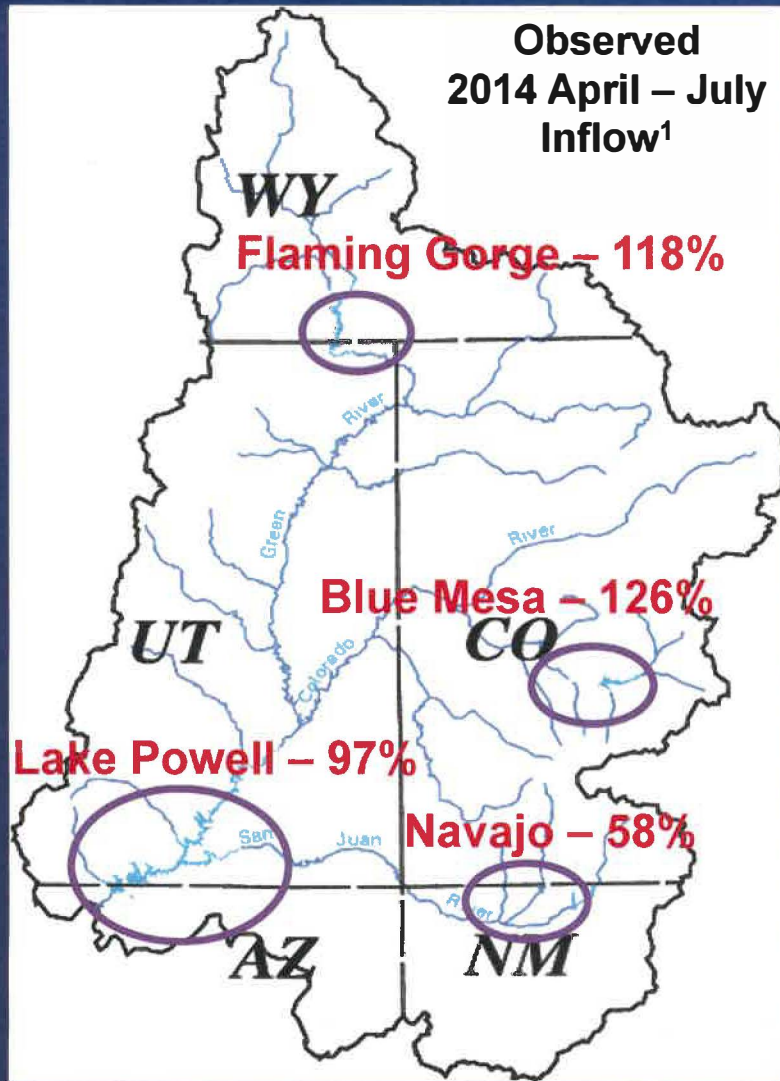
(as of September 9, 2014)

Current Storage	Percent Full	Storage (MAF)	Elevation (Feet)
Lake Powell	51	12.31	3,605.8
Lake Mead	39	10.13	1,081.4
Lake Mohave	93	1.69	642.8
Lake Havasu	95	0.59	448.3
Total System Storage	51	30.15	N/A

\*Total system storage was 29.79 maf or 50% this time last year

RECLAMATION

# CBRFC Unregulated Inflow Forecasts dated September 2, 2014



Month/Period	Inflow (KAF)	Percent of Average <sup>1</sup>
Aug 2014 (observed)	517	103
Sep 2014	400	98
Oct 2014	480	94
Nov 2014	420	89
2014 April-July (observed)	6,923	97
WY 2014	10,269	95

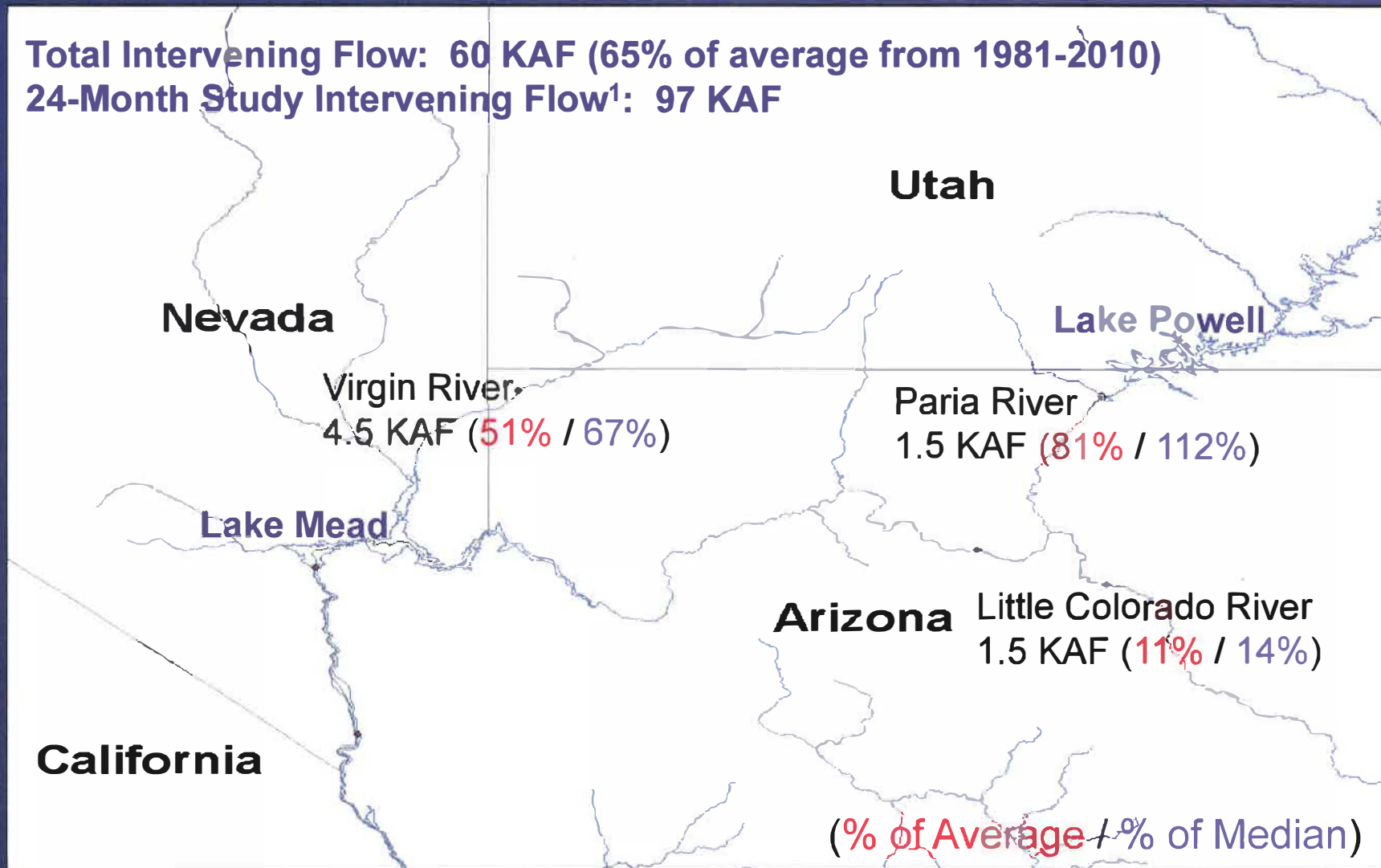
<sup>1</sup> Percentages and percent of average based on period of record from 1981-2010

# Lake Mead Intervening Flow Forecast – September 2014

Based on CBRFC Forecast dated September 2, 2014

Total Intervening Flow: 60 KAF (65% of average from 1981-2010)

24-Month Study Intervening Flow<sup>1</sup>: 97 KAF



<sup>1</sup> This value is based on the 5-year average from 2009-2013. The 24-month study uses a 5-year average to model intervening flows between Glen Canyon Dam and Lake Mead.

RECLAMATION

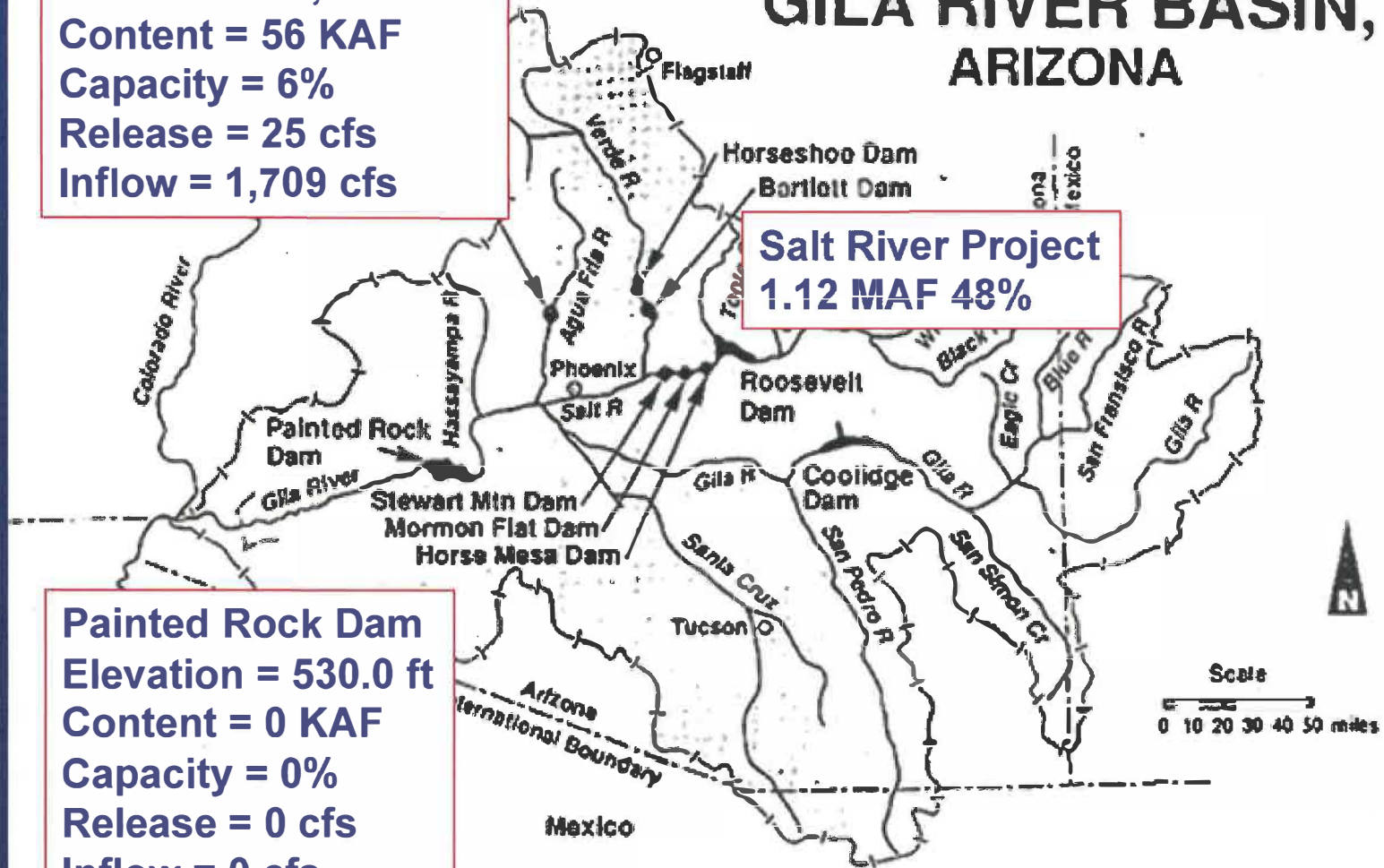


# GILA RIVER BASIN,<sup>1</sup> ARIZONA

**Alamo Dam**  
Elevation = 1,089.86 ft  
Content = 56 KAF  
Capacity = 6%  
Release = 25 cfs  
Inflow = 1,709 cfs

**Salt River Project**  
1.12 MAF 48%

**Painted Rock Dam**  
Elevation = 530.0 ft  
Content = 0 KAF  
Capacity = 0%  
Release = 0 cfs  
Inflow = 0 cfs

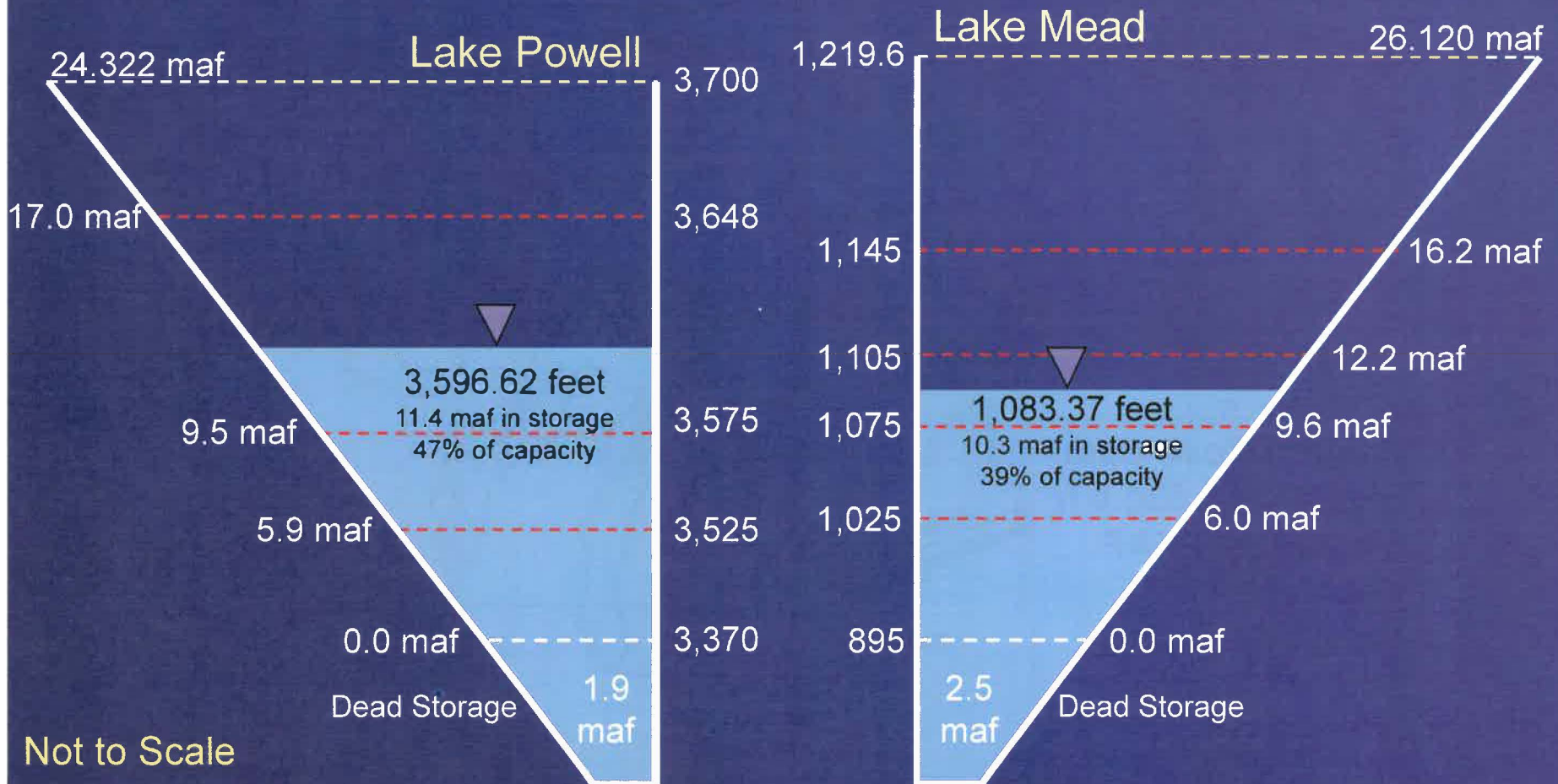


<sup>1</sup> Dated September 10, 2014.



# End of Calendar Year 2014 Projections

## August 2014 24-Month Study Most Probable Inflow Scenario<sup>1</sup>



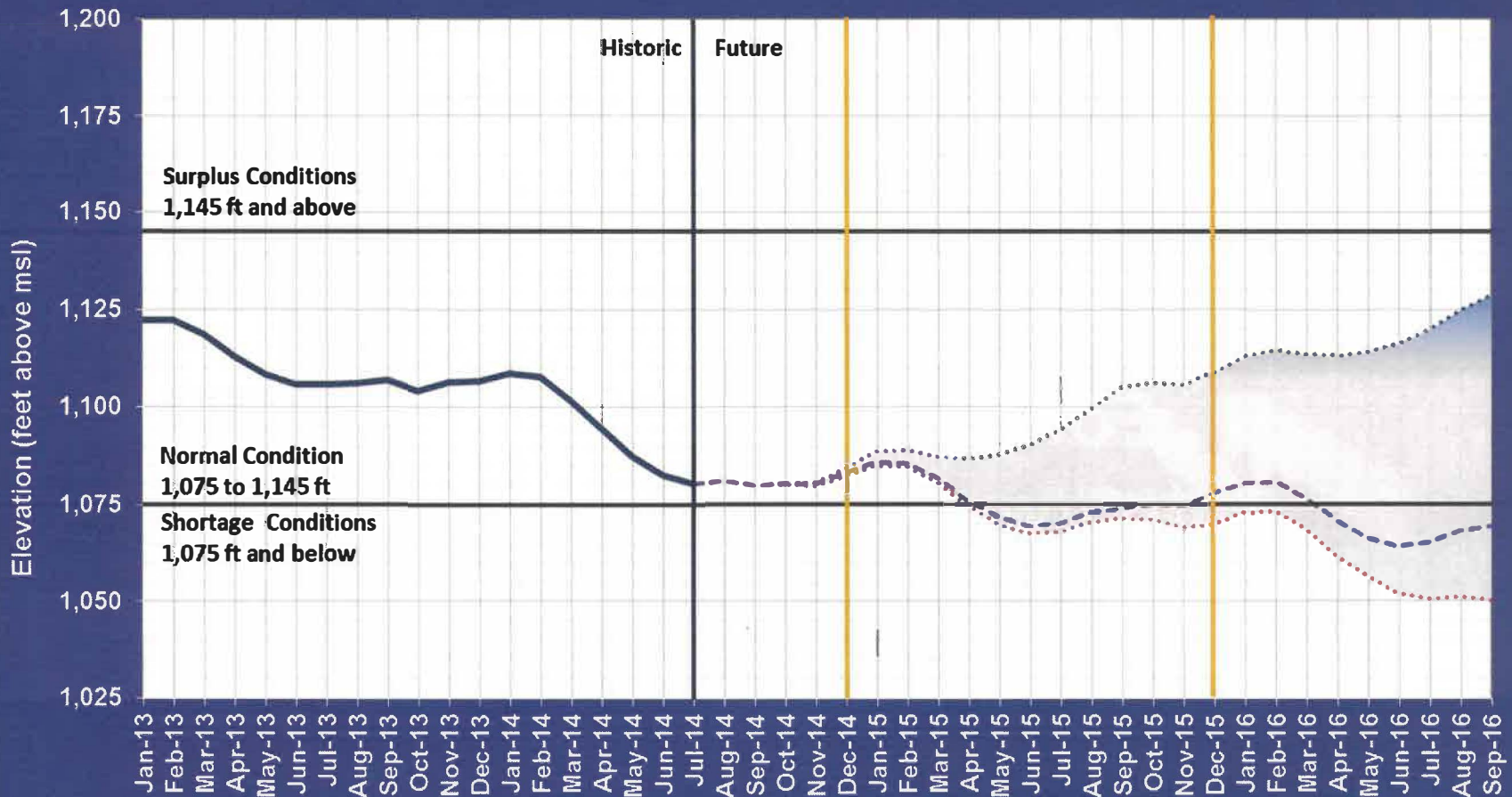
Not to Scale

<sup>1</sup> WY 2014 unregulated inflow into Lake Powell is based on the CBRFC outlook dated 8/1/14.

RECLAMATION

# Lake Mead End of Month Elevations


Projections from August 2014 24-Month Study Inflow Scenarios



- ..... August 2014 Probable Maximum Inflow with Lake Powell Release of 11.63 maf Water Year 2015 and 11.74 maf in Water Year 2016
- - - August 2014 Most Probable Inflow with Lake Powell Release of 9.00 maf in Water Year 2015 and Water Year 2016
- ..... August 2014 Probable Minimum Inflow with Lake Powell Release of 9.00 maf in Water Year 2015 and 7.48 maf in Water Year 2016
- Historical Elevations

RECLAMATION



An aerial photograph of a large dam and reservoir. The dam is a curved concrete structure with several spillways. The reservoir is a deep blue color, surrounded by rugged, brown mountains. The sky is clear and blue.

# The Colorado River: Operations and Current Conditions

For further information:  
<http://www.usbr.gov/lc/region>

RECLAMATION

IV. Discussion of Potential Legislation to Extend the Water Storage Tax

**NOTES:** (Potential direction for staff)

Call on **Virginia O'Connell** to brief Commission members on the potential legislation for extending the Water Storage Tax.

A copy of the current governing statutes is in your books.

Ask for public comment after discussion

**ACTION:** None



**48-3715.02. Tax levy for water storage**

(Rpld. 1/2/17)

A. Until January 1, 1997, the following applies:

1. On or before August 19, 1991, August 17, 1992, August 16, 1993, August 15, 1994 and August 21, 1995 the district board shall fix the amount to be raised by direct taxation in the respective tax year for the purpose of carrying out section 48-3713, subsection B, paragraphs 7 and 8 and shall levy a tax, based on the assessed valuation certified under section 48-3715, sufficient to raise that amount, except that this tax shall not:

(a) Exceed four cents per one hundred dollars of assessed valuation in the district.

(b) Be levied in any county in the district in which the annual water allocation by the United States secretary of the interior of central Arizona project water for municipal and industrial uses is less than fifty thousand acre-feet.

2. The district board shall certify the tax rate to the board of supervisors of each county in the district in which the district board levies this tax, and the boards of supervisors at the time of levying general county taxes shall levy and cause to be collected taxes on the taxable property in the county at the tax rate fixed by the district board. The tax when collected shall be deposited, pursuant to sections 35-146 and 35-147, in the state water storage fund established by section 45-897.01. All taxes levied pursuant to this section in counties having a population greater than five hundred thousand but less than one million five hundred thousand persons according to the most recent United States decennial census shall be deposited in account A of the fund established by section 45-897.01. All taxes levied pursuant to this section in counties having a population greater than one million five hundred thousand persons according to the most recent United States decennial census shall be deposited in account B of the fund.

B. Beginning in 1996, in addition to the tax authorized in sections 48-3713 and 48-3715, on or before the second Monday in August of each year, the district board shall fix the amount to be raised by direct taxation in the respective tax year for the purpose of carrying out section 48-3715.03 and shall levy a tax based on the assessed valuation certified under section 48-3715 sufficient to raise that amount, except that this tax shall not exceed four cents per one hundred dollars of assessed valuation in the district.

C. The district board shall certify the tax rate fixed pursuant to subsection B of this section to the board of supervisors of each county in the district, and the boards of supervisors at the time of levying general county taxes shall levy and cause to be collected taxes on the taxable property in the county at the tax rate fixed by the district board. The tax when collected shall be deposited, pursuant to sections 35-146 and 35-147, and credited as prescribed by section 48-3715.03.

**48-3715.03. Arizona water banking fund; disbursement of monies**

A. The district's board of directors shall annually determine by resolution whether all or any part of the tax levied pursuant to section 48-3715.02, subsections B and C shall be applied to the repayment of the construction costs of the central Arizona project including interest owed on district repayment contracts or to the annual operation, maintenance and replacement costs of the central Arizona project. When the district's board adopts such a resolution, a certified copy of the resolution shall be delivered to the department of water resources and those monies specified in the resolution shall be deposited, pursuant to sections 35-146 and 35-147, in the district fund established pursuant to section 48-3712, subsection A, paragraph 5.

B. Any taxes that are levied pursuant to section 48-3715.02, subsections B and C and that are not deposited in the district fund established pursuant to section 48-3712, subsection A, paragraph 5 shall be deposited, pursuant to sections 35-146 and 35-147, in the Arizona water banking fund established by section 45-2425.

V. Draft 2015 Plan of Operation

**NOTES:** (Direction for staff)

Call on **Virginia O'Connell** to discuss the Draft 2015 Annual Plan of Operation.

**ACTION:**

Direction for staff to schedule and hold public meetings on the Draft 2015 Plan of Operation in conjunction with the Groundwater Users Advisory Council Meetings in the Phoenix, Pinal and Tucson AMAs.

**Table 2  
Water Delivery Schedule (Acre-Feet)  
Calendar Year 2015**

AWBA-Recharge Sites		Permitted Capacity (AF)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
<b>PHOENIX AMA :</b>															
USF	HIEROGLYPHIC MTN	35,000	0	0	0	0	0	0	0	0	500	500	500	500	2,000
	AGUA FRIA	100,000	0	0	0	0	0	0	0	0	500	500	500	500	2,000
	TONOPAH DESERT	150,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	SUPERSTITION MTNS	35,000	1,000	2,000	2,000	1,000	0	0	0	0	0	0	0	0	6,000
															10,000
GSF	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	1,230	2,000	1,000	1,000	0	5,230
	TONOPAH ID	15,000	0	0	0	0	0	0	0	0	0	0	0	0	0
															5,230
<b>AMA TOTAL INTRASTATE</b>			1,000	2,000	2,000	1,000	0	0	0	1,230	3,000	2,000	2,000	1,000	15,230
<b>PINAL AMA :</b>															
GSF	CAIDD	110,000	0	0	0	0	0	0	0	3,200	0	0	0	0	3,200
	HOHOKAM	55,000	0	0	0	0	0	1,600	1,600	0	0	0	0	0	3,200
	MSIDD	120,000	200	300	500	500	500	300	200	200	200	200	100	0	3,200
															9,600
<b>AMA TOTAL INTRASTATE</b>			200	300	500	500	500	1,900	1,800	3,400	200	200	100	0	9,600
<b>TUCSON AMA:</b>															
USF	AVRA VALLEY	11,000	0	0	0	0	0	0	0	0	450	450	450	450	1,800
	LOWER SANTA CRUZ	50,000	1,000	1,000	1,000	0	0	0	0	0	0	0	1,000	1,970	5,970
	PIMA MINE ROAD	30,000	0	0	0	0	0	0	0	0	0	0	0	500	500
	CAVSARP	100,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	SAVSARP	60,000	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	0	1,000	1,300	14,000
															22,270
GSF	CORTARO-MARANA ID	20,000	0	0	0	0	0	0	0	500	0	0	0	0	500
	KAI FARMS (Red Rock)	11,231	0	0	0	0	500	500	0	0	0	0	0	0	1,000
	BKW Farms	14,316	0	0	0	0	0	0	0	0	200	200	100	0	500
															2,000
<b>AMA TOTAL INTRASTATE</b>			2,300	2,300	2,300	1,300	1,800	1,800	1,300	1,800	1,950	650	2,550	4,220	24,270
<b>TOTAL INTRASTATE</b>			3,500	4,600	4,800	2,800	2,300	3,700	3,100	6,430	5,150	2,850	4,650	5,220	49,100
<b>TOTAL INTERSTATE</b>			0	0	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL RECHARGE</b>			3,500	4,600	4,800	2,800	2,300	3,700	3,100	6,430	5,150	2,850	4,650	5,220	49,100
<b>DIRECT DELIVERY (Non-Storage):</b>															
	Southside Replenishment Bank		0	5,000	0	0	0	0	0	0	0	0	0	0	5,000
	Southside Replenishment Obligation		0	0	0	0	0	0	0	0	0	0	0	0	0
	<b>TOTAL DIRECT</b>		0	5,000	0	0	0	0	0	0	0	0	0	0	5,000
<b>TOTAL DELIVERIES</b>			3,500	9,600	4,800	2,800	2,300	3,700	3,100	6,430	5,150	2,850	4,650	5,220	54,100



**Table 3. 2015 Water and Facility Rates**

<b>Recharge</b>	<b>Cost per Acre-foot</b>
CAWCD delivery rate to AWBA for water storage	\$179
Groundwater Savings Facility operator cost share rate <sup>1</sup>	
Phoenix and Pinal AMAs	\$34
Tucson AMA	\$16
Underground Storage Facility rate paid by AWBA	
CAWCD – Phoenix Facilities	\$9
CAWCD – Tucson Facilities	\$15
Avra Valley Recharge Project	\$15.91
Clearwater Facility (CAVSARP/SAVSARP)	\$16.09
<b>Direct Deliveries</b>	
CAWCD rate to AWBA for Southside Replenishment Bank deliveries	\$179

<sup>1</sup> This rate is paid directly to CAP by the GSF operators and is not available as revenue to the AWBA. The AWBA's rate for delivery of in lieu water is thus reduced to \$145/af for intrastate deliveries to the Phoenix and Pinal AMAs and \$163/af to the Tucson AMA.

**Table 4. Funding for 2015 Annual Plan of Operation**

Funding Source	Estimated Funds Available		Estimated Funds Utilized		Estimated Credits (AF)
	AWBA	CAWCD	AWBA	CAWCD	
<b>Withdrawal Fees</b>					
Phoenix AMA	\$4,700,000	-	\$1,175,000	-	6,310
Pinal AMA	\$1,500,000	-	\$1,487,000	-	3,800
Tucson AMA	\$475,000	-	\$475,000	-	2,300
<b>Four Cent Tax</b>					
Phoenix AMA	\$0	\$14,000,000	\$0	\$1,463,000	7,860
Pinal AMA	\$0	\$800,000	\$0	\$800,000	5,130
Tucson AMA	\$0	\$3,100,000	\$0	\$2,186,000	10,580
<b>Other:</b>					
<b>General</b>	\$0				
Phoenix AMA		-	\$0	-	0
Pinal AMA		-	\$0	-	0
Tucson AMA		-	\$0	-	0
<b>Shortage Repairs</b>	\$2,002,200				
Phoenix AMA		-	\$0		0
Pinal AMA		-	\$0		0
Tucson AMA		-	\$2,002,200		9,690
	<b>Total Funds Available</b>		<b>Total Funds Expended</b>		<b>Credits</b>
	\$26,577,200		\$9,588,200		45,670

<sup>1</sup> The figures shown are estimates provided by CAWCD staff, and are based on amounts anticipated to be collected during the 2015 tax year. If utilization is greater than estimated, there may be additional funds held by CAWCD that could be made available at the discretion of the CAWCD Board of Directors.

<sup>2</sup> Includes expenditure for 5,000 acre-feet of direct deliveries to establish the Southside Replenishment Bank under the Gila River Indian Water Settlement Program.

VI. Initial Discussion on Future Use of Shortage Reparation Credits

**NOTES:** (direction for staff)

Call on **Terri Sue Rossi** to establish a context for discussing the future use of shortage reparation credits consistent with the action items adopted under the Ten-Year Plan.

**ACTION:**

Direct staff to prepare alternatives for the future use of shortage reparation credits based on meeting discussions

## **Discussion Paper for Use of Credits Accrued from Monies Made Available Under the Arizona-Nevada Shortage-Sharing Agreement**

As part of the Basin States proposal Arizona and Nevada agreed on how the reduction caused by the shortage criteria identified in the proposal would be shared between their states. Nevada's interpretation of the Basin Project Act for sharing shortage was that their state had minimal exposure to shortages. Arizona's interpretation was that Nevada would suffer 7.4 percent of the reduction apportioned to the two states when a shortage was declared. Arizona and Nevada ultimately agreed that Nevada's share of the shortage would be a set volume as established for the three shortage levels. Nevada also agreed to provide \$8 million to help mitigate any impact that might be caused to Arizona's water users for accepting this reduced share.

The \$8 million was made available to the AWBA. The AWBA was also given the responsibility of determining how the \$8 million would be spent to help mitigate impacts to Arizona's water users caused by the Arizona-Nevada Shortage-Sharing Agreement. Specifically the agreement says:

5. Shortage Assistance. For the purpose of assisting Arizona in offsetting impacts from shortages that may occur during the Interim Period, SNWA agrees to provide to the Arizona Water Banking Authority the sum of \$8,000,000.00 (Eight Million Dollars) ("the Funds"). The Arizona Water Banking Authority will use the Funds to purchase and/or store water supplies. This sum shall be paid to Arizona within 60 days of the date the Secretary issues a Record of Decision, unless otherwise agreed in writing by the SNWA and Arizona. Neither the payment nor the use of the Funds are conditioned on the occurrence of a shortage during the Interim Period, and the Funds shall be nonrefundable.

In 2008, after reviewing several options for utilizing these funds, the AWBA made the decision to use them to purchase and store water to accrue long-term storage credits (credits) within the Phoenix, Pinal and Tucson Active Management Areas (AMA). Through 2013, the AWBA has accrued 91,221 acre-feet of credits, at a cost of \$4.5 million. Of this amount, 20,642 acre-feet of credits are located in the Phoenix AMA, 60,507 acre-feet are in the Pinal AMA, and 10,072 acre-feet are in the Tucson AMA. Expenditure of the remaining \$3.5 million is planned for the Tucson AMA and is estimated to accrue 17,140 acre-feet of credits, bringing the total credits accrued in that AMA to 27,212 acre-feet and the total credits overall to 108,361 acre-feet.

In 2008, however, the AWBA stopped short of deciding how those credits would be used to mitigate impacts during the Interim Period (through 2026). According to the Joint Recovery Plan, the maximum recovery projected between now and 2023 is 17,000 acre-feet with a 36% probability of a recovery event. Such events would only impact on-River users and Indian NIA obligations. During the period 2024 and 2034, the probability of a



recovery event is 55% and the total project recovery volume is 38,200 acre-feet. Again, the Joint Recovery Plan only projects impacts to on-River users and Indian NIA users. After 2034, the projected maximum recovery is 85,700 acre-feet and the probability of a recovery event is 17%. In this last period, all firming intrastate categories are expected to be impacted.

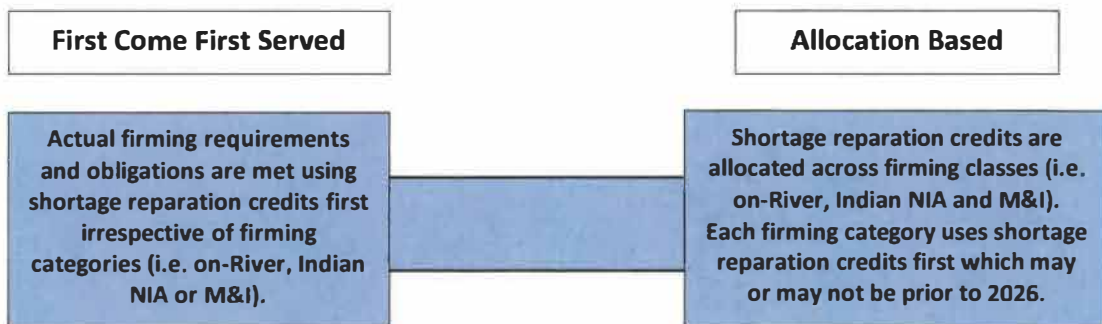
As part of its action planning process and Ten-Year Planning process, staff was asked to establish a policy on the use of shortage reparation credits. Accordingly, staff is seeking direction from the Commission on the following policy question:

*How should credits that were developed using shortage reparation monies be used?*

Many of the constructs established when the AWBA last discussed the use of shortage reparation credits are still applicable:

- Credits should be used to mitigate shortage impacts to Arizona caused by the Arizona-Nevada Shortage Sharing Agreement.
- Credits do not need to be paid back.
- Credits are available to categories for which the AWBA is authorized to firm supplies including on-River Priority 4 M&I users, CAP M&I Priority users and AWBA Indian NIA obligations.

Staff has identified a spectrum for the AWBA to consider as a tool to answer the policy question.



Along the spectrum, there are many variations that can be discussed. Based on direction from the AWBA on this policy question, staff will prepare alternatives for the AWBA to consider at its next meeting. We anticipate this work may ultimately result in a resolution answering the policy question.

VII. Call to the Public

**Future Meeting Dates:**

Wednesday, December 3, 2014