April 26, 2017

TO: Members of the AMWUA Board of Directors

FROM: Councilwoman Thelda Williams, Phoenix, President

SUBJECT: MEETING NOTICE AND AGENDA

Thursday, April 27, 2017 – 11:00 a.m.
Arizona Municipal Water Users Association
3003 North Central Avenue, Suite 1550
Phoenix, Arizona 85012

The next meeting of the AMWUA Board of Directors will be held at the above time and place. If you have any questions, please call the AMWUA office.

AMENDED AGENDA

<table>
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<th>Item</th>
<th>Action Requested</th>
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<tr>
<td>1. Call to Order</td>
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<td>Please refer to the minutes from the March 23, 2017 AMWUA Board of Directors meeting.</td>
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<td>Please refer to Agenda Item #2.</td>
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<td>3. Set Next Meeting Date</td>
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<td>The next regular meeting of the AMWUA Board of Directors will be held on Thursday, May 25, 2017, at 11:00 a.m. at the AMWUA office.</td>
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4. **2017 Legislative Update**

The AMWUA Board of Directors will discuss legislation introduced this current legislative session.

Please refer to Agenda Item #4.

5. **Issues Between ADWR and CAWCD and Potential Impact to AMWUA Members**

The AMWUA Board of Directors will discuss recent issues between ADWR and CAWCD and consider taking a position due to how those issues impact AMWUA members.

5. **Issues Between ADWR and CAWCD and Potential Impact to AMWUA Members**

6. **CAWCD Water Storage Tax**

The AMWUA Board of Directors will review and discuss the history and status of the CAWCD water storage tax.

Please refer to Agenda Item #5.

6. **CAWCD Water Storage Tax**

7. **Utilization of CAWCD Taxes for Federal Repayment**

The AMWUA Board of Directors will review and discuss the utilization of CAWCD taxes for the federal repayment of the Central Arizona Project.

Please refer to Agenda Item #6.

7. **Utilization of CAWCD Taxes for Federal Repayment**

8. **AMWUA Fiscal Year 2018 Preliminary Draft Budget**

The AMWUA Board of Directors will review and discuss the draft Fiscal Year 2018 budget for AMWUA.

Please refer to Agenda Item #7.

8. **AMWUA Fiscal Year 2018 Preliminary Draft Budget**

9. **Executive Director’s Report**

9. **For information only.**

10. **Future Agenda Items**

10. **For information only.**

11. **Adjournment**

11. Adjourn.
AGENDA ITEM #2

BOARD OF DIRECTORS
MEETING MINUTES
March 23, 2017

VOTING MEMBERS PRESENT

Councilwoman Thelda Williams, President, Phoenix
Mayor Cathy Carlat, Peoria
Mayor Jim Lane, Scottsdale
Councilmember René Lopez, Chandler
Councilmember Joanne Osborne, Goodyear
Councilmember Kevin Thompson, Mesa
Councilmember Bart Turner, Glendale

VOTING MEMBERS NOT PRESENT – EXCUSED

Councilmember Eddie Cook, Gilbert
Councilmember Pat Dennis, Avondale
Councilmember Lauren Kuby, Tempe

OTHERS PRESENT

Anthony Alejandro, Peoria    Sara Gerlitz, Phoenix    Jessica Perry, Goodyear
Anthony Beckham, AZGFD     Mark Holmes, Goodyear     Ryan Peters, Chandler
Cindy Blackmore, Avondale  Lacey James, Avondale     Diana Piña, AMWUA
Rob Bohr, Goodyear          Sam Jaskolski, AMWUA     Kathy Rall, Scottsdale
Eric Braun, Gilbert         Ron Klawitter, SRP      Richard Siegel, SRP
Cynthia Campbell, Phoenix   Pat Kossan, AMWUA        Tony Staffaroni, CAP
Gregg Capps, Chandler       Ryan Lee, Glendale        Drew Swieczkowski, Glendale
Brian Draper, Mesa          John Nissen, Glendale     Warren Tenney, AMWUA
Alan Dulaney, Peoria        James Orloski, Phoenix    Theresa Ulmer, Ulmer Consulting
Kathy Ferris, AMWUA Legal   Brian Payne, AMWUA       Carol Ward-Morris, AMWUA
Brett Fleck, AMWUA

1. CALL TO ORDER

Councilwoman Williams called the meeting to order at 11:04 a.m.
2. **APPROVAL OF MINUTES FROM THE FEBRUARY 23, 2017 MEETING**

Upon a motion by Mayor Carlat and a second by Councilmember Lopez, the AMWUA Board of Directors unanimously approved the minutes from the February 23, 2017 meeting.

3. **SET NEXT MEETING DATE**

The next regular meeting of the AMWUA Board of Directors was scheduled for Thursday, April 27, 2017, at 11:00 a.m., at the AMWUA office.

4. **2017 LEGISLATIVE UPDATE**

Mr. Tenney gave a report on the status of the bills that AMWUA has taken a position on:

- **HB 2010**, opposed by AMWUA, would place limits on Arizona State Retirement System benefits. HB 2179 was also opposed by AMWUA, and deals with intergovernmental agreements. Mr. Tenney said both bills are on hold and not moving forward.

- **HB 2112**, opposed by AMWUA, would require Central Arizona Project (CAP) Board candidates to denote their party designation on the ballot. Mr. Tenney said this bill has passed out of the House and was amended in the Senate by removing the partisanship of the CAP Board candidates and leaving the language forbidding a spouse of an employee to run for the CAP Board. AMWUA staff recommends changing AMWUA’s position on this bill to monitor. Councilmember Lopez asked to clarify that in taking a “monitor” position, AMWUA would remain neutral. Mr. Tenney confirmed. Councilwoman Williams asked the Board if anyone disagreed with changing AMWUA’s position to monitor; there was no disagreement.

- **HJR 2002**, supported by AMWUA, gave the Arizona Department of Water Resources (ADWR) Director the authority to enter into forbearance agreements if the United States and Mexico enter into a new minute agreement. HJR 2002 passed out of the House and Senate and was signed by Governor Ducey on March 2, 2017. Mr. Tenney noted that the Governor’s Office and ADWR have expressed appreciation for the support received from the water community to get the resolution passed.

- **SB 1412**, monitored by AMWUA, would change the sequence of claims that the superior court must follow in the General Stream Adjudication. Mr. Tenney reported that an amendment was approved in the House Committee, which now requires claims to be addressed by a subwatershed. He said SB 1412 is expected to pass the House, and AMWUA will continue to monitor.

Mr. Tenney highlighted two strikers of interest to AMWUA:

- **HB 2482** passed out of Committee on March 20, 2017. This bill would exempt a subdivider from having to obtain a Certificate of Assured Water Supply, if the subdivider uses a previously issued certificate. Mr. Tenney said this bill is problematic because there is no guarantee that a subsequent owner can meet the assured water supply requirements, such as water rights and financial capability. ADWR is concerned about
this bill and spoke against it in Committee. AMWUA has also expressed opposition to the bill and now requests that the AMWUA Board formalize AMWUA’s opposition.

- SB 1309 was originally introduced this year as SB 1280, which failed in Committee. SB 1309 would prevent the ADWR Director from adopting or implementing any rule in the Pinal Active Management Area that would reduce the amount of extinguishment credits for extinguishing irrigation grandfathered rights. Mr. Tenney said AMWUA opposed this bill as SB 1280 and will continue to oppose it as SB 1309. Ms. Ulmer reported that SB 1309 was being heard right now.

Upon a motion by Councilmember Turner and a second by Mayor Carlat, the AMWUA Board of Directors unanimously voted to oppose HB 2482 and SB 1309.

5. **SUPPORT FOR EPA’S WATERSENSE PROGRAM**

Mr. Tenney reported that at their March 2017 meeting, the AMWUA Management Board recommended that the AMWUA Board of Directors reaffirm AMWUA’s support for the WaterSense Program. Shortly after the AMWUA Management Board met, staff learned a national effort is being coordinated by the Alliance for Water Efficiency (AWE) to advocate to preserve the Environmental Protection Agency (EPA) WaterSense Program. WaterSense stakeholders, including businesses and water organizations, are being asked to consider contributing to this focused and strategic lobbying effort. Mr. Tenney said at the March AMWUA Conservation Committee meeting, member conservation staffs identified maintaining the WaterSense Program as a top priority. He reported that the Conservation Committee recommended the AMWUA Board of Directors consider a one-time contribution of $10,000 from the current Regional Conservation Program (RCP) budget to support the effort to preserve WaterSense.

Mr. Tenney and Ms. Ward-Morris responded to questions from the AMWUA Board regarding the program, its impact, and how its elimination would affect market transformation toward more efficient technologies. Board members voiced concern regarding the odds of maintaining the program in light of the 31% proposed cut to the EPA, and staff was asked if a “plan B” strategy to possibly off-ramp the program was a consideration. Ms. Ward-Morris replied that, yes, a plan B was being developed, and she acknowledged that saving the program appears difficult indeed. She noted that the hurdles to possibly off-ramping the program would be significant, and that the most effective and economical solution would be to maintain the program at the EPA. Mr. Tenney pointed out that AMWUA’s leadership in advocating to keep the program would help ensure we have influence in how a plan B would play out. Board members spoke to the value of the program and voiced support for maintaining it. A coordinated, strategic approach to advocating for the program’s preservation was encouraged.

Upon a motion by Mayor Carlat and a second by Councilmember Osborne, the AMWUA Board of Directors unanimously voted to reaffirm AMWUA’s support for the WaterSense Program and to contribute $10,000 from the Regional Conservation Program to the Alliance
for Water Efficiency to support their efforts to advocate for the preservation of the EPA WaterSense Program.

There was also discussion and agreement for AMWUA to write letters to each member of Arizona’s congressional delegation to formally express the importance of the WaterSense program to our state and to urge them to support the program. Mayor Lane recommended AMWUA continue to press for authorization of the program, which would make it more difficult to eliminate. Councilwoman Williams suggested writing letters to other associations and organizations to encourage them to support AMWUA’s and AWE’s efforts. It was also agreed that taking a stance on the WaterSense Program coincides within AMWUA’s mission.

6. COMMUNICATION WITH CONGRESSIONAL DELEGATION

At the February 2017 AMWUA Board of Directors meeting, members requested that AMWUA prepare talking points for those attending the National League of Cities (NLC) Conference to reference when interacting with Arizona’s Congressional Delegation.

Councilmember Osborne noted the importance of meeting with Arizona’s Congressional Delegation and staff one-on-one. She also highlighted discussing the EPA, the Drought Contingency Plan (DCP), forest health, building water infrastructure, and the border adjustment tax in regards to Colorado River relations at those meetings.

Councilmember Turner stated that several of his meetings were canceled due to weather conditions; however, he was still able to meet with Senator Flake, Representative O’Halleran, and staff. He noted that Lake Mead and DCP were discussed in each of his meetings.

Mr. Tenney asked the AMWUA Board members if they found the federal talking points helpful. The Board members discussed that the talking points were useful and thanked AMWUA staff for preparing the document.

7. CAP RATE STABILIZATION FUND

CAP has set aside reserve funds for rate stabilization when a shortage is declared or when entering into a Drought Contingency Plan (DCP) type effort. Mr. Tenney said although it looks highly unlikely for the DCP and a shortage in the near future, AMWUA staff has prepared a presentation to help its members to better understand these funds so AMWUA can make a recommendation about them in the future. He noted that Mr. Fleck also shared this presentation with the AMWUA Management Board earlier this month.

Mr. Fleck said rate stabilization is used to ensure smooth, predictable rates and has been historically referred to as the annual rate reconciliation using revenue from sulfur dioxide (SO₂) credit sales. He noted that rate stabilization would be important in the event of
shortage because shortage deliveries drive up the cost of delivery. He shared examples of projections.

Mr. Fleck said the Central Arizona Water Conservation District (CAWCD) has three dedicated, distinct funding sources for rate stabilization. He elaborated that these rate stabilization funds can only be applied to the rate they came from and only contributors can benefit from them. Mr. Fleck then briefly described the three funding sources:

- **Shortage Stabilization Reserve**: a sub-component of the Fixed OM&R rate; approved in 2011 without increasing provisional rates; can only be applied to the Fixed OM&R rate; $22.6 million balance as of December 31, 2016.
- **Supplemental Shortage Rate Stabilization Fund**: result of the 2014 rate reconciliation process in which participants who overpaid in both Pumping Energy and Fixed OM&R rates voluntarily left their refunds with CAWCD, who matched $0.54 for every $1 contributed; 93% from Pumping Energy, 7% from Fixed OM&R; any funds not utilized by December 31, 2020 will be returned; $6.6 million balance as of December 31, 2016.
- **SO₂ Credit Reserve**: leftover revenue from SO₂ credit sales; can be used for annual rate reconciliation or shortage rate stabilization; can only be applied to the Pumping Energy rate; $7.6 million balance as of December 31, 2016.

Mr. Fleck said when a shortage rate stabilization plan is created, it is important to consider:
- shortage level and duration;
- the ability of municipal rates and reserves to absorb increases;
- that other Municipal and Industrial (M&I) and Tribal customers must be in agreement with the use of the funds; and that there will be no more dedicated rate stabilization funds once these are spent. He also stated it might be better to establish rate stabilization funds use priorities, rather than set a concrete plan because there are many different factors and use combinations.

Councilmember Lopez thanked Mr. Fleck for his engaging and thorough presentation. Mayor Lane echoed Councilmember Lopez’s sentiments and commented that it is useful to know these reserve funds are available.

8. **AMWUA’S COMMUNICATION EFFORTS**

Over the last twelve months, AMWUA has fine-tuned its communication efforts in addition to following the strategic plan’s objectives to communicate effectively from the perspective of its members and to communicate a positive message about its members’ successes.

Ms. Pat Kossan, AMWUA’s communication specialist, gave a report highlighting AMWUA’s communication efforts through various social media platforms. This presentation was also given to the AMWUA Management Board this month.

In 2016, AMWUA published its weekly Monday blog post on WordPress every week and sent an email every Monday to more than 400 recipients inviting them to read that blog post. Ms. Kossan noted that AMWUA’s most popular blog post, *This Year’s Least Known*
Election Is One of the Most Important regarding the CAWCD Board election, broke records by receiving more than 150,000 views. She said the weekly average views to AMWUA’s WordPress site in 2016 was 3,284 (432 without the record-breaking post), up from 285 views in 2015. The AMWUA Blog archive was viewed 147,082 times in 2016, up from 3,314 views in 2015. AMWUA Blog posts were also shared by many different organizations.

AMWUA posted an average of five times per day, seven days a week on Facebook. In 2016, AMWUA’s Reach (number of times one of AMWUA’s posts appeared on an individual’s or group’s Facebook page) was 89,929, up from 48,794 in 2015. AMWUA’s Facebook Engagement (total number of times a visitor “clicked” on a post to open it, “liked” a post, or “shared” a post on their own timeline) was 6,462 times in 2016, up from 4,053 times in 2015. Ms. Kossan reported that AMWUA received the most views in May 2016 when AMWUA took a stance against two pieces of legislation that threatened to weaken the 1980 Groundwater Management Act.

As of February 26, 2017, AMWUA’s Twitter had 1,187 followers, up from 830 followers at the same time last year. In 2016, AMWUA had 403,300 impressions (number of times an AMWUA tweet appears on an individual’s or group’s Twitter feed because it was shared by a follower), up from 307,000 in 2015. AMWUA’s Assistant Director, Ms. Ward-Morris, also has a Twitter account that received close to 120,000 impressions and had nearly 500 followers in 2016, which extended AMWUA’s visibility.

In 2016, AMWUA’s website received 355,238 sessions (any time a person interacts with the AMWUA website), up from 341,354 in 2015. AMWUA also posted over 90 local water news stories to its homepage, including at least eight that mentioned AMWUA.

In September 2016, AMWUA opened a new Instagram account, which continues to grow.

Ms. Kossan thanked the AMWUA members and their staffs for assisting in AMWUA’s communications throughout the year.

Mayor Carlat commented that she was very impressed with AMWUA’s communication efforts and that the analytics presented show that AMWUA has become a resource and expert in the field.

Councilmember Osborne stated that she appreciates the content and graphics that AMWUA posts on social media. She also offered to meet with Ms. Kossan to discuss social media strategies and tactics. Councilmember Osborne said she has difficulty using AMWUA’s site on her mobile phone. Mr. Tenney said that difficulty is due to the current website, which will be resolved as soon as AMWUA’s new website debuts.
9. **EXECUTIVE DIRECTOR’S REPORT**

Mr. Tenney stated that Mr. Tom Buschatzke, the ADWR Director, met with AMWUA’s Water Resources Advisory Group (WRAG) on March 21\textsuperscript{st} to give an update on the DCP. At the meeting, Mr. Buschatzke expressed a desire to continue to work on DCP Plus, even if it is not exactly as what had been originally developed, and feels it is important for Arizona to develop a plan that can be agreed upon by stakeholders and the Lower Basin States. Mr. Buschatzke said this winter’s snowpack has greatly reduced the risk of shortage in the near term, but he still wants Arizona to have a multi-year plan that protects Lake Mead. It was also discussed that federal funding for the DCP is unlikely, so it should not be counted on. Mr. Tenney said Mr. Buschatzke told the WRAG that he is open to suggestions on how Arizona can proceed with a DCP Plus 2017. Colorado River water discussions will continue as key positions at the Bureau of Reclamation are filled in the upcoming months.

Mr. Tenney reported that in an effort to keep things moving forward while DCP conversations continue, ADWR entered into a non-binding agreement on March 15\textsuperscript{th}, with the Gila River Indian Community, City of Phoenix, and Walton Family Foundation to agree to develop an agreement to develop additional system conservation for Lake Mead. He said others are encouraged to join in the effort.

Mr. Tenney stated that it is currently Fix A Leak Week (March 20-26, 2017), which is an annual, national campaign led by EPA WaterSense to draw attention to the more than 1 trillion gallons of water lost annually due to household leaks in the U.S. AMWUA has actively promoted this campaign through social media, blog posts, and interviews since 2011. EPA WaterSense traditionally kicks off Fix A Leak Week with an annual Twitter party; however, the new administration was not prepared to sign off on the promotion. Mr. Tenney reported that AMWUA hosted the national, annual Fix A Leak Week Kickoff Twitter party on March 20\textsuperscript{th}, and that one hour-long conversation potentially reached 1.1 million people and garnered 3.2 million impressions.

Mr. Tenney noted that he sent the AMWUA Board of Directors and the Management Board a copy of AMWUA’s preliminary budget summary for Fiscal Year 2018, for use in the preparation of their individual municipal budgets. The budget will be formally presented in April.

10. **FUTURE AGENDA ITEMS**

There were no requests for future agenda items.

11. **ADJOURNMENT**

Councilwoman Williams adjourned the meeting at 12:22 p.m.
2017 Legislative Update

STRATEGIC PLAN REFERENCE

Objectives – Advocate for Solutions; Reinforce Groundwater Management
Collaboration – Legislature
Operational Principles – Excel as an Expert and Resource

SUMMARY

The AMWUA Board has taken positions on the following bills. Staff continues to monitor these bills’ status as well as watch for strikers.

HB 2010: Arizona State Retirement System (Ugenti-Rita). This bill would prevent entities such as AMWUA from providing Arizona State Retirement System benefits to employees hired after the bill’s effective date. This bill has been introduced in previous sessions and AMWUA has opposed it. This bill passed out of the House Committee of the Whole on February 23rd, but has not been brought for a vote to the full House. At this time, it does not appear to have the votes to pass in the House.

AMWUA Position: Oppose

HB 2112: Multi-County Water Districts Board of Directors (Finchem and 8 others). This bill changes the requirements for a person to serve on the board of directors for multi-county water districts such as the Central Arizona Project. This bill would essentially prevent a CAP employee or the spouse of a CAP employee from serving on the Board of Directors. The original version of this bill passed the House on February 27th. On March 13th, this bill was amended in a Senate committee to remove a requirement that would have required candidates for the CAP Board to have their party designation denoted on the ballot for elections. This now-removed provision raised concerns about introducing partisan politics into water issues. As a result of the recent amendment, AMWUA staff is now monitoring the bill. The amended bill passed out of the Senate Committee of the Whole on April 10th.

AMWUA Position: Monitor
HB 2143: Public Contracts (Leach and seven others). This bill sets new requirements on municipalities for obtaining public bids. These requirements include water and sewer work. It would require advertising for bids if the work exceeds $25,000 including materials and equipment. Municipalities and counties expressed opposition to this bill and it did not move out of committee.

AMWUA Position: Oppose

HB 2179: Municipal Intergovernmental Agreements (Ugenti-Rita). This bill would require a city, town, or county to limit the duration of intergovernmental agreements (IGAs) to eight years, and to extend agreements by reviewing them in a public hearing. The bill also requires governing bodies to review and as needed reaffirm in a public hearing all agreements that are in place as of the effective date of the bill. This bill as introduced could create uncertainty about Arizona’s long-term water supplies including the 100-year supply designations. Each AMWUA city holds long-term contracts for CAP water. Furthermore, many of the AMWUA cities are parties to long-term leases to receive water held by another entity.

Based on concerns raised by House members and stakeholders, the sponsor has sought to narrow the impact of the bill to specifically having IGAs comply with the current law, which requires a duration for the IGA. The sponsor also wants to require cities and counties to make a list of all IGAs, including a description and the duration. The League of Arizona Cities and Towns and the Counties are opposed to this modification. However, AMWUA’s concern about the eight-year review of IGAs appears to no longer be the focus. The bill passed out of the relevant House committees, but stalled because it did not appear to have enough votes to pass.

AMWUA Position: Oppose

HB 2330: Water Augmentation Systems (Campbell and two others). This bill introduces a tax credit for the installation of a “Residential Water Augmentation System,” which is defined as either a rainwater harvesting system or a residential graywater system. The tax credit is equal to 25 percent of the cost of the system up to a maximum of $1,000. The tax credit would be available through January 1, 2026. The bill limits the annual amount for the tax credit that the state can allow to $250,000. A similar tax credit for graywater systems was effective for tax years 2007 through 2011, although some have questioned how effective it was at incentivizing graywater use. This bill passed out of the House Ways and Means Committee on February 15th. However, the bill at this time appears to be dead.

AMWUA Position: Support

HB 2482: Subdivider Public Reports (Petersen). Within the state’s Active Management Areas, a subdivider or developer must demonstrate that there is a 100-year supply of water before a developer can build. Unless the water utility that serves the proposed development independently meets this requirement, the individual subdivider must get a certificate of a 100-year assured water supply from ADWR. Under current law, this certificate is specific to the
subdivider, not the lands. Among other things, this striker amendment would allow a subsequent subdivider to use a previously issued certificate of assured water supply. This bill turns the certificate into a characteristic that can run with land irrespective of who owns or subdivides it later.

AMWUA staff was initially concerned that this bill could allow a subsequent subdivider to rely on a certificate of a 100-year assured water supply even if the underlying water supply is not transferred to the subsequent subdivider. ADWR has expressed similar concerns. The striker bill in its amended form passed out of the Senate on March 20th. At its March 23rd meeting, the AMWUA Board of Directors voted to oppose the bill.

AMWUA staff understands that ADWR and the sponsor have agreed on language for an amendment to this bill. The amendment would allow for a subsequent subdivider to rely on a previously issued certificate if the relevant platting entity determines that certain conditions are met. Among other things, this includes a requirement that there are no changes to the plat, water infrastructure is available to each lot, and each lot is enrolled as a CAGRD member land. Since ADWR has agreed to this amendment, the AMWUA Management Board recommended that AMWUA change its position from opposition to monitor upon adoption of the amendment. The bill moved through the Senate Rules Committee on April 10th, and it appears the amendment could be introduced soon.

*Current AMWUA Position: Oppose*

*AMWUA Recommended Position: Change from Oppose to Monitor, upon adoption of amendment.*

**HB 2499:** Facilities Relocation; Public Utility Easements (Weninger). This bill would require a municipality or county to reimburse a utility if the municipality or county requires movement of facilities constructed within a public utility easement. The affected utility would be entitled to reimbursement unless an existing agreement provides otherwise. While the bill passed out of the House Commerce Committee, it was held in the Rules Committee. Staff understands that it was agreed that the bill should be worked on during the summer to better define its purpose and how relocation and reimbursement of costs would occur.

*AMWUA Position: Monitor*

**HJR 2002:** Colorado River Forbearance Authority (Barton and 14 others). This joint resolution is the exact same as Senate Joint Resolution 1003. Over the past several months, the United States and Mexico have been negotiating a new minute agreement regarding deliveries of Colorado River water to Mexico. This Joint Resolution authorizes the Director of ADWR to enter into forbearance agreements that implement the terms of the minute agreement. The Joint Resolution gives the Director authority to forebear water pursuant to these agreements if the United States and Mexico enter into a minute agreement in which Mexico agrees to reduce its deliveries of Colorado River water in the same years that deliveries of Colorado River water to
Arizona are reduced due to shortage. Furthermore, the authorization is conditional on the minute agreement allowing Lower Basin State entitlement holders to form partnerships with Mexico for the purpose of storing additional water supplies in Lake Mead known as Intentionally Created Surplus. The authority to enter into any agreement expires on December 31, 2017. The resolution has passed the House and the Senate. Governor Ducey signed the resolution on March 3, 2017.

AMWUA Position: Support

SB 1124: Arizona Water Protection Fund Appropriation (Griffin). This bill as amended appropriates $500,000 for fiscal year 2018 from the state general fund for the Arizona Water Protection Fund. The Arizona Water Protection Fund is a state-run program that funds projects to protect and enhance water quality and quantity in Arizona’s rivers, streams, and riparian areas. Some of these efforts include revegetation, erosion control, channel stabilization, research, and water conservation. This bill passed out of the Senate on February 22nd. In the House, the bill passed the House Land, Agriculture, and Rural Affairs Committee on March 9th and the Appropriations Committee on March 15th. This bill will most likely be part of the budget negotiations.

AMWUA Position: Support

SB 1280: Groundwater Extinguishment Credits in the Pinal AMA (Smith and four others). This bill would prevent the Director of ADWR from adopting or implementing any rule in the Pinal AMA that would reduce the amount or quantity of credits for the extinguishment of irrigation grandfathered rights to less than the full amount of the right. The bill would be retroactive. This bill would increase groundwater mining in the Pinal AMA. AMWUA opposed an identical version of this bill last legislative session. This bill failed in the Senate Natural Resources, Energy and Water Committee on February 13th.

AMWUA Position: Oppose

SB 1309: Groundwater Extinguishment Credits in the Pinal AMA (Barton). This striker bill is the exact same language as SB 1280 described above, for which AMWUA took a position of opposition. Staff will continue to oppose this legislation unless directed otherwise. The bill passed out of the House Land, Agriculture, and Rural Affairs Committee on March 23rd, and passed out of the House Rules Committee on April 17th.

AMWUA Position: Oppose

SB 1412: Sequence of Claims in General Stream Adjudication (Griffin). This bill outlines the sequence of claims that the Superior Court over the General Stream Adjudication must address. In its amended form, the bill requires the determination of water rights of all small water use claims in any specific subwatershed to be deferred until all other claims are determined by the Superior Court. The bill furthermore requires the determination of any claimant’s small water
use claim to be in conjunction with the claimant's other claims in the same subwatershed. The bill states that the Superior Court overseeing the Adjudication is not precluded from approving settlements of small water use claims at any time. A previous version of this bill passed the Senate on February 22\textsuperscript{nd}. The bill in its amended form passed the House on April 17\textsuperscript{th}.

\textit{AMWUA Position: Monitor}

\textbf{RECOMMENDATION}

The AMWUA Board of Directors is requested to discuss the status of these bills and any others.

The AMWUA Management Board recommends that the AMWUA Board change AMWUA’s position to monitor HB 2482, upon adoption of the ADWR recommended amendment.

If necessary, it is also recommended that the AMWUA Board modify its position on any bills whose status may have changed by the April 27\textsuperscript{th} AMWUA Board of Directors meeting.
Other AMWUA-related Legislation

The following is a summary of other legislation that could impact AMWUA and its members. Staff would be pleased to answer any questions Board members may have regarding these bills or others.

**HB 2020**: Board of Directors and Appropriations (Lawrence). This bill adds a new clause to the conflict of interest statute that could keep AMWUA Board members from being able to participate in city council votes appropriating money to AMWUA. This bill was assigned to the House Government Committee, but has not moved.

*AMWUA Position: Monitor*

**HB 2036**: Groundwater Permits Technical Correction (Thorpe). This bill makes two minor technical corrections to a statute dealing with permits to withdraw poor quality groundwater. AMWUA staff has monitored this bill because it appeared to be a possible vehicle for a striker bill. The rules in the House of Representatives for this session require all striker amendments to be germane to the subject matter of the original bill. This bill has not moved.

*AMWUA Position: Monitor*

**HB 2130**: Maximum Daily Load Program Report (Bowers). The Maximum Daily Load program is administered by ADEQ to help impaired lakes and streams meet water quality standards for their intended uses. The program applies to impaired waters listed by the State in accordance with the federal Clean Water Act. Under the program, ADEQ submits a list of waters and a schedule to establish the total maximum daily load (i.e. amount of pollutant) every two years to the EPA. This bill would require ADEQ to submit a report to the Governor, House Speaker, and Senate President detailing progress under the program by September 1st of each year. This bill passed out of the Energy, Environment, and Natural Resources Committee on January 31st and Rules Committee on February 6th, but as of this writing is not moving.

*AMWUA Position: Monitor*

**HB 2193**: Groundwater Resource Management Task Force (Cobb). This bill creates a task force comprising members of the Legislature and several representatives of different stakeholder groups. The task force would establish a framework for a property development credit program to encourage the donation, acquisition and use of land for conservation areas that would support the maintenance of groundwater and other ecological resources. Under this concept, a party could receive development credits to offset water use and development impacts on private developable land in exchange for donating or transferring property for conservation areas. These credits could be purchased and sold to different parties. The task force would submit a report to the Governor and Legislature by the end of 2017. AMWUA staff understands that this bill arises out of concerns from some individuals in Mohave County. AMWUA staff also
understands that this bill is unlikely to proceed at this time, but that an ad-hoc committee may look into this issue in the future.

**AMWUA Position: Monitor**

**HB 2231:** Desalination Study Committee (Shooter). This bill establishes a nine-member desalination study committee comprising members of the Legislature and subject matter experts. The committee would collect information on desalination within Arizona, review data from desalting plants in operation, and study opportunities for desalination projects in Arizona. This bill has not moved, and appears to be dead for this session.

**AMWUA Position: Monitor**

**HB 2317:** CAP Board and Partisan Offices (Lawrence). This bill requires that ballots include party designations listed alongside candidates for several elected offices, including elections for the CAP Board. Currently, elections for the CAP Board are non-partisan and take place only in a general election. This bill would require CAP Board elections to take place in both a primary and general election with each candidate’s party designation listed on the ballot. AMWUA believes CAP elections should remain non-partisan because of the importance of water being a non-partisan issue. The bill has not moved and appears to be dead.

**AMWUA Position: Oppose**

**SB 1165:** Capital Costs and Exempt Wells (Fann and Campbell). Under the provisions of the Groundwater Code, a landowner in an Active Management Area may drill a small exempt well for domestic uses. However, under the Code an exempt well may not be drilled if any part of the land is within one hundred feet of a designated municipal provider’s system. One exception to this rule is if a landowner shows that it is more economical to drill an exempt well than connect to the municipal drinking water system.

This bill would add to this exception the requirement that a landowner provide to ADWR at least three estimates of the total capital costs for the drilling of an exempt well. AMWUA staff understands that this bill will not be moving this session and that stakeholders will likely convene to work on this issue after the legislative session.

**AMWUA Position: Support**

**SB 1184:** Appropriation to Arizona Geological Survey (Griffin). This bill appropriates $941,000 from the General Fund to the Arizona Geological Survey (AGS) for fiscal year 2018. The AGS collects, records, maintains and makes available old and new data on the geologic materials and processes in Arizona. This includes data that is vital to understanding groundwater pumping issues, subsidence, and water quality issues in Arizona. This bill passed the Senate on February
23rd. In the House, the bill passed out of the Land, Agriculture, and Rural Affairs Committee on March 9th and the Appropriations Committee on March 15th.

*AMWUA Recommended Position: Monitor*

**SJR 1001:** Colorado River Joint Resolution (Griffin). This Senate Joint Resolution recognizes that 2017 is the 95th anniversary of the 1922 Colorado River Compact, which is one of the primary documents that governs the Law of the River. It is understood this resolution was meant to be a placeholder for approving Arizona’s participation in the Drought Contingency Plan (DCP), if agreement was reached for how DCP would be implemented in Arizona. AMWUA staff understands that ADWR will not pursue this resolution this session.

*AMWUA Recommended Position: Monitor*
CAWCD Water Storage Tax

STRATEGIC PLAN REFERENCE

Objectives – Minimize Financial Impacts
Collaboration – Central Arizona Project
Operational Principles – Excel as an Expert and Resource

SUMMARY

The Central Arizona Water Conservation District (CAWCD) assesses two ad valorem property taxes in its service territory – a 10-cent general tax and the 4-cent water storage tax. The water storage tax can be used to support repayment of CAWCD’s federal debt, offset annual operations, maintenance, and replacements costs of the Central Arizona Project (CAP), or be deposited into the Arizona Water Bank fund.

Since the authorized uses for the tax have changed over time, there have been differing perspectives about the tax’s history, uses, and funds from the tax that have accumulated over time in Maricopa County. AMWUA thought it would be beneficial to do a review of the water storage tax to ensure we have mutual understanding of the tax. After gaining a clear understanding of the tax, AMWUA can better discuss with its members how we could best advocate for an efficient use of these tax revenues.

Staff has prepared a presentation that summarizes the findings of AMWUA’s review of CAWCD’s water storage tax. This presentation was given to the AMWUA Management Board at its April 12, 2017 meeting.

RECOMMENDATION

The AMWUA Board of Directors is encouraged to discuss staff’s presentation regarding CAWCD’s water storage tax.

ATTACHMENT

• Central Arizona Water Conservation District’s Water Storage Tax
Central Arizona Water Conservation District’s
Water Storage Tax
March 31, 2017

EXECUTIVE SUMMARY

The Central Arizona Water Conservation District (CAWCD) has assessed a four-cent ad valorem property tax since 1990. Currently, the tax is assessed in Maricopa, Pinal, and Pima Counties and can be used to support repayment of CAWCD’s federal debt, offset annual operations, maintenance, and replacements costs of the Central Arizona Project (CAP), or be deposited into the Arizona water banking fund. The authorized uses for the tax have changed over time. These changes and the reasons for them are important to understand and are detailed in this paper. Since its inception, the tax has primarily been used to construct underground water storage facilities and purchase water for the Arizona Water Banking Authority (AWBA) to be stored at those facilities.

The Arizona Municipal Water Users Association (AMWUA) is interested in the water storage tax because it is a key funding source for CAWCD and because the account containing Maricopa County’s tax revenues has a balance of more than $113 million. Representing 84 percent of Maricopa County taxpayers and a substantial portion of CAWCD’s municipal and industrial subcontracts, AMWUA is uniquely positioned to advocate for an efficient use of these tax revenues.

A substantial balance has accumulated in the Maricopa account and not the Pinal and Pima accounts because of statutory restrictions on how the tax is assessed, differences in total property valuations, and the cost of storing water in each county. According to internal calculations, AMWUA believes the existing Maricopa account balance has more than enough money to achieve the AWBA’s recently reviewed firming goal for times when CAP supplies are reduced, excluding annual revenues that continue to be collected.

How remaining revenues are used is important because they ultimately affect how costs of CAP water are distributed among both Maricopa County taxpayers and CAP water users. In addition to its historical use, CAWCD and others have suggested a myriad of other potential uses for the existing Maricopa balance as well as ongoing collections including funding recovery infrastructure. AMWUA believes a more detailed plan for using these tax revenues is crucial to ensuring its members enjoy their maximum benefit.
INTRODUCTION

The Central Arizona Water Conservation District’s (CAWCD or District) four-cent tax, or more formally the water storage tax, is a property tax authorized by the Arizona State Legislature in 1990.¹ The tax is assessed by CAWCD ad valorem, i.e., according to value, and cannot exceed four cents collected per $100 in Net Assessed Valuation (NAV).² As its informal name implies, the tax is currently set at four cents and is assessed in Maricopa, Pinal, and Pima counties—CAWCD’s service area.³ To put the tax burden into perspective, the water storage tax would cost $8 annually on a home valued at $200,000.⁴ Statute says the tax can be used for three purposes:

1. Repayment of the construction costs of the Central Arizona Project (CAP or the Project) including interest owed to the federal government;
2. Annual operation, maintenance and replacement (OM&R) costs of the Central Arizona Project;
3. Arizona water banking fund.⁵

According to statute, tax dollars not used for the first two purposes must be used for the third.⁶ It is important to note that the water storage tax is entirely different from the general ad valorem tax CAWCD also assesses, currently set at a rate of ten cents per $100 of NAV.⁷ The two taxes have different restrictions on how CAWCD can use the funds, with the general tax being more flexible.⁸

The Arizona Municipal Water Users Association (AMWUA) is interested in water storage tax funds for two primary reasons. First, the water storage tax is an important source of revenue for CAWCD to defray the cost of the federal debt repayment and annual OM&R costs of the Project. These costs are paid in part by AMWUA’s members. Second, CAWCD has accumulated a surplus of over $113 million of water storage tax funds from Maricopa County taxpayers. AMWUA, serving the majority of Maricopa County water users, is interested in how these funds will be spent to maximize the benefit to its customers.⁹

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¹ Laws 1990, Ch. 385, § 6.
² A.R.S. § 48-3715.02.B.
⁴ Central Arizona Water Conservation District, CAWCD’s 4-Cent Property Tax Extension of Levy Authority, December 2014.
⁵ A.R.S. § 48-3715.03.
⁶ A.R.S. § 48-3715.03.B.
⁷ A.R.S. § 48-3715.A.
⁸ Id.
The purpose of this paper is to provide a factual footing for future discussions regarding the water storage tax funds. This paper does not offer any legal opinions regarding the use of water storage tax funds, nor advocate for the funds to be used in any particular way.

**HISTORY**

The water storage tax has gone through a number of significant changes since 1990. These changes can be hard to follow given the name and rate of the tax have not changed since its inception. When discussing potential uses for the tax as it exists today, it is important to understand how and why the tax evolved over time. This understanding can offer clues regarding original intents and if those intents still apply. The following history is organized chronologically by years to highlight significant changes related to the water storage tax.

**1990 – Funding state demonstration projects**

In 1990, the Arizona State Legislature established a water storage tax and authorized CAWCD to “[p]lan, analyze, propose, apply for, construct, operate, maintain and dismantle state demonstration projects for underground water storage and recovery.” The Legislature also authorized CAWCD to “[a]cquire real property for state demonstration projects for underground storage and recovery sites...” using the tax collections. The newly enacted tax was not to “[e]xceed four cents per one hundred dollars of assessed valuation in the district[,]” and only be levied in Maricopa and Pima counties. The Legislature directed that money from the tax be deposited into separate accounts within the newly created State water storage fund, one for each county it was collected in. The Director of the Arizona Department of Water Resources (ADWR) administered the fund and could distribute funds to CAWCD only for projects that were located in the county where those funds were collected. The original legislation authorized the tax for five years, expiring in 1996.

The purpose of the state demonstration projects was to wisely manage Arizona’s water resources by storing unused CAP water to provide an additional source during times of serious water shortage. Water stored at state demonstration projects was to be used only for municipal and industrial (M&I) subcontractors and in the county where CAWCD collected the tax. As for funding, tax dollars were only to fund the construction, operation, and maintenance of the state demonstration projects as well as the cost of excess CAP water. Tax money could

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10 “‘State demonstration project’ means a project for the underground storage and recovery of excess central Arizona project water established under this article” - Laws 1990, Ch. 385, § 3
11 Laws 1990, Ch. 385, § 5.
12 Id. at § 6.
13 The actual bill language authorized the tax, “[i]n counties with CAP municipal and industrial allocations greater than 50,000 acre-feet[,]” effectively Maricopa and Pima counties.
14 Laws 1990, Ch. 385, § 3.
15 Id. at § 6.
16 Laws 1990, Ch. 385, § 3.
also be advanced “to cover the district’s costs of recovering, transporting, and delivering the stored water and the costs of dismantling the project[].” But, “[t]he person who receives the water shall pay the district’s cost, if any, of recovering, transporting and delivering the water to the person” either up front or through reimbursement though not “any other costs of construction, operation or maintenance[].”

1994 – CAWCD gets a new revenue source

In 1994, the Legislature expanded the scope and use of the water storage tax, extending its authorization in the process. These changes followed the release of the Governor’s Central Arizona Project Advisory Committee’s Final Report and Recommendations the previous year.\(^{17}\) Lower than expected demand for CAP water by agricultural users meant that capital and fixed costs of the Project were spread across fewer users—driving up the price for remaining users. In addition to other policy concerns, the Advisory Committee recommended additional sources of revenue be considered, including the water storage tax, to subsidize the relatively high cost of CAP water.

Addressing the Advisory Committee’s recommendation, the Legislature added the repayment of CAWCD’s federal debt and annual OM&R costs as authorized uses of the tax.\(^{18}\) To ensure all those benefitting from any future District-wide use of the tax contributed, the Legislature added Pinal County to the tax assessment.\(^{19}\) It also revised the wording of the originally authorized purpose stating “…the fund shall be used to pay capital, operation, maintenance and other costs, including the costs of excess central Arizona project water, of underground storage and recovery projects operated by the district[].”\(^{20}\)

The 1994 update fundamentally changed the nature of the water storage tax. Following the changes, CAWCD could use funds to benefit the entire three-county Project area regardless of where the funds were collected if used for federal repayment or annual OM&R costs.\(^{21}\) In expanding the use of the funds, the legislation established the Multi-county water storage fund to take the place of the State water storage fund to hold money collected by the water storage tax. Subaccounts for each county were maintained for the new Multi-county water storage fund. These changes were to be implemented beginning in 1997 and the tax authorization was extended through 2000.\(^{22,23}\)

Between 1991 and 1996, CAWCD used $33.7 million in water storage tax collections to build storage facilities and store water for the benefit of Maricopa County and $8.5 million for Pima

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\(^{18}\) Laws 1994, Ch. 278, § 13.

\(^{19}\) Id. at § 12.

\(^{20}\) Id. at § 13.

\(^{21}\) Id.

\(^{22}\) Laws 1994, Ch. 278, § 12-13.

\(^{23}\) Id. at § 14.
County.\textsuperscript{24} Underground storage facilities constructed completely or partially during this period were: Avra Valley, Pima Mine Road, Lower Santa Cruz, Agua Fria, Hieroglyphic Mountains (partial), and Tonopah Desert (partial).\textsuperscript{25}

\textit{1996 – Funding for the Arizona Water Banking Authority}

To address the creation of the Arizona Water Banking Authority in 1996, the Legislature altered the water storage tax statutes again, this time bringing them very close to current law. First, the legislation required the CAWCD Board of Directors to “[a]nnually determine by resolution whether all or any part of the tax” would be used for federal repayment or to defray annual OM&R costs of the Project.\textsuperscript{26} Prior to this change, the Board was not required to adopt a resolution and absent such a resolution, all tax funds were to automatically be used for underground storage and recovery projects operated by CAWCD.\textsuperscript{27} As a part of this change, the Legislature struck out language authorizing usage of funds for underground storage and recovery projects. In its place, the Legislature added language stating that any funds not used by CAWCD for federal repayment or annual OM&R shall be deposited into the Arizona water banking fund, which replaced the Multi-county water storage fund.\textsuperscript{28} Finally, the 1996 legislation extended the tax authorization again through 2016.\textsuperscript{29}

\textit{2003 – Protecting funds from the Legislature}

In 2003, the CAWCD Board of Directors materially altered the language of their statutorily required annual resolutions. Prior to tax year 2003-2004, the Board had resolved that none of the water storage tax collections would be used for federal repayment or annual OM&R costs and that the state treasurer should deposit all taxes levied into the Arizona water banking fund.\textsuperscript{30} The AWBA would then use the Arizona water banking fund to pay CAWCD for excess CAP water and any storage costs to earn long-term storage credits (LTSC).

The change was spurred by a series of appropriations, through transfer or expenditure authorization, by the Legislature of money in the Arizona water banking fund for non-water banking activities.\textsuperscript{31} CAWCD’s general counsel questioned the legality of the Legislature


\textsuperscript{26} Laws 1996, Ch. 308, § 24.

\textsuperscript{27} Id.

\textsuperscript{28} Id.

\textsuperscript{29} Id. at § 23.

\textsuperscript{30} Central Arizona Water Conservation District, 4-Cent Tax Extension, September 9, 2014, slide 9.

\textsuperscript{31} Laws 2001, Second Special Session, Ch. 4, § 1 ($1,000,000 transfer in FY 2001-2002); 2001 legislative transfer was from the AWBA’s administrative account consisting of interest earned on other Arizona Water Banking Fund balances (Arizona Water Banking Authority, \textit{Annual Report 2002}, 6, July 1, 2003); Laws 2003, Ch. 262, § 108.
transferring money out of the Arizona water banking fund, particularly interest earned on water storage tax dollars. The Arizona Legislative Council responded, concluding that transfers of any funds that were not direct proceeds of the tax levy were legal. In other words, property tax dollars from the water storage tax are safe from transfer, but groundwater withdrawal fees and any other funds in the Arizona water banking fund, including any investment interest, could be appropriated by the Legislature. The Legislative Council’s opinion meant that if CAWCD wanted to guarantee that interest earnings on any tax collections would be available to it, then it would have to keep those collections out of the Arizona water banking fund to avoid them being swept for other uses.

To implement a more protective strategy, the CAWCD Board resolution for tax year 2003-2004 declared that all taxes levied would be applied to annual OM&R costs of the Project. The resolution went on to state “[t]hat all taxes levied...in the 2003-2004 tax year...be used by the District to defray the annual [OM&R] costs associated with the purchase of Project water by the [AWBA] for the purpose of firming CAP [M&I] water supplies and related administrative costs[.]” The idea behind this operation is that CAWCD would use water storage tax funds to offset its own cost of storing water for AWBA, normally paid for by AWBA out of the Arizona water banking fund. This practice meant that water storage tax dollars would still be used to store water for AWBA but not be transferred into the Arizona water banking fund simply to be paid back to CAWCD.

The CAWCD Board has chosen to shield water storage tax funds from Legislative sweeps in each annual resolution since 2003 by continuing this protective strategy.

2010 – Broader annual resolution language

Beginning with the 2010 tax year resolution, the CAWCD Board approved language that excluded any mention of water storage activities. The new resolution language only referred to defraying annual OM&R costs. By omitting the water storage language, CAWCD could use water storage tax funds to defray any of its OM&R costs instead of just those associated with

$9,000,000 transfer in FY 2003-2004); Laws 2003, First Special Session, Ch. 2, § 14 ($1,115,900 for ADWR operational expenses in FY 2002-2003).
33 Kenneth C. Behringer to Senator Herb Guenther, memorandum, May 2, 2002, “Arizona Water Banking Fund; Transfer (R-45-117)”.
34 CAWCD v. Brewer, Superior Court of Arizona in Maricopa County: Judge Kreamer ruled on June 10, 2011 that legislative transfers from AWBA’s interstate storage water banking subaccount are unconstitutional. This ruling only applies to money paid by other states for water banking activities. (Arizona Water Banking Authority, Annual Report 2011, 7, July 1, 2012).
water storage activities. The CAWCD Board felt the increased spending flexibility was important because of a number of large, unfunded liabilities it projected.

2013 – The first major use of surplus funds

In 2013, after a long debate regarding the best use of accumulated water storage tax funds, the CAWCD Board voted to transfer $45 million from its water storage tax reserve to replenish its strategic reserves.37 Two separate issues precipitated the transfer. First, CAWCD’s 2012 and projected 2013 rate reconciliations showed long-term subcontractors owing a substantial amount of money to CAWCD. This is because energy costs at the Navajo Generating Station (NGS) were coming in above where CAWCD had set the Pumping Energy rate. Rather than collect the 2012 underpayment from subcontractors and adjust the 2013 Pumping Energy rate mid-year, the CAWCD Board voted to settle the $32 million underpayment with a transfer to its working capital fund within the strategic reserves.38

Second, due to a collapse in wholesale energy market prices, there was substantially less revenue from surplus NGS electricity sales to supplement the federal debt repayment. As a result, CAWCD drew from its strategic reserves to replace the lost revenue in making the repayment. CAWCD used the remaining $13 million of the $45 million one-time transfer to help replenish its strategic reserves.

2015 – Extending the tax authorization and limiting revenue growth

In 2015, after a campaign to have the water storage tax authority extended, the Legislature passed a bill authorizing the tax at up to four cents through 2024, then up to 3 cents through 2029 at which time it expires.39 Also in 2015, Proposition 117 took effect.40 Proposition 117, approved by voters in November 2012, amended the Constitution of Arizona to limit appreciation in the Limited Property Value (LPV) used for ad valorem taxes to 5% per year. Prior to this change, CAWCD taxes were based on the Full Cash Value, not the LPV. Proposition 117 is important to the water storage tax because it affects the amount of tax collected by CAWCD annually. Recently, Proposition 117 has had the effect of lowering the amount of tax that would have been collected without its implementation.41

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38 The transfer also acted to preserve the remaining SO2 allowance credit funds, historically used to settle underpayments, for future settlements.
39 Laws 2015, Ch. 224, § 1-2; Central Arizona Water Conservation District, CAWCD’s 4-Cent Property Tax Extension of Levy Authority, December 2014.
40 2012 Senate Concurrent Resolution 1025; Laws 2013, Ch. 66, § 17; Proposition 117 is formally known as the “Arizona Property Tax Assessed Valuation Amendment”.
WHY THE SURPLUS

As noted in the introduction, CAWCD has accumulated a surplus of over $110 million in water storage tax funds in its water storage tax reserve account for Maricopa County. The origins of this substantial surplus and why it accumulated only for Maricopa County lie primarily in statutory restrictions.

An important feature of the statutes governing AWBA operations is that it can only distribute LTSCs for the benefit of the county that provided the water storage tax dollars to accrue or purchase those LTSCs.\(^{42}\) Simply stated, the AWBA cannot expend Maricopa County water storage tax revenues to create or purchase LTSCs for the benefit of Pinal or Pima counties. Equally important is the fact that the tax rate, currently levied at $0.04 per $100 of assessed valuation, must be the same across the area served by CAWCD—Maricopa, Pinal, and Pima counties.\(^{43}\) This statutory restriction on tax rates results in significantly different amounts being collected across the three counties. The difference in collections is because the total net assessed valuation of property differs significantly between each county.\(^{44}\) Table 1 shows how total net assessed value is distributed across the three counties of CAWCD.

### Table 1: Water Storage Tax Surplus Factors by County\(^{45}\)

<table>
<thead>
<tr>
<th></th>
<th>Net Assessed Valuation Distribution</th>
<th>M&amp;I Firming Goal Distribution</th>
<th>Average Cost per Acre-foot (1997-2015)(^{46})</th>
<th>% Goal Achieved (through 2015)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maricopa</td>
<td>78.2%</td>
<td>58.6%</td>
<td>$73</td>
<td>88.8%</td>
</tr>
<tr>
<td>Pinal</td>
<td>4.6%</td>
<td>9.1%</td>
<td>$57</td>
<td>85.4%</td>
</tr>
<tr>
<td>Pima</td>
<td>17.2%</td>
<td>32.3%</td>
<td>$114</td>
<td>51.8%</td>
</tr>
</tbody>
</table>

These statutory restrictions on their own would simply result in the relative amounts of water stored in the three counties resembling the distribution of net assessed valuation. On the surface, this appears to be logical as the amount of water stored for a shortage should be relative to the size of the population, roughly represented by net assessed valuation. However, the storage goal set for M&I firming by the AWBA is distributed across the three counties according to their relative M&I subcontract allocations.\(^{47}\) As can be seen in Table 1, the relative

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\(^{42}\) A.R.S. § 45-2457.B.7.

\(^{43}\) A.R.S. § 48-3715.02.B.


\(^{45}\) Tax is collected by county while LTSCs earned by storing water are accounted for by AMA. Maricopa County’s borders roughly correspond to the Phoenix AMA while Pima County’s borders roughly correspond to the Tucson AMA. The same goes for Pinal County and the Pinal AMA.


distributions of the firming goal and net assessed valuation do not match. These facts still do not explain the surplus in Maricopa County. Based on the two distributions, one would simply expect Maricopa to be significantly ahead of pace in achieving its water storage goal because more tax funds are collected relative to the size of its goal, but this is not the case. 48

The reason for this is that the amount of excess CAP water available for AWBA to store annually has been a limiting factor.49 As long-term subcontract holders have been purchasing larger shares of their allocations, the amount of excess CAP water has declined.50 Given the volumes of excess CAP water for AWBA, funding is the limiting factor in Pima and Pinal counties. Therefore, AWBA stores as much excess CAP water as funding allows in the Tucson and Pinal Active Management Areas (AMA) then stores any remaining excess in the Phoenix AMA.51 This remaining amount of excess CAP water has not been large enough for Maricopa County to utilize all of its annual water storage tax collections, which results in a growing surplus account.

In 2014, the Legislature helped ease the excess water availability constraint by allowing AWBA to purchase LTSCs in addition to earning them itself.52 This expanded authority is limited by an intergovernmental agreement (IGA) between AWBA, ADWR, and CAWCD stating that LTSC purchases can only be made with current year tax funds.53 Even with this expanded spending authority, investment interest on the surplus account and tax revenue growth driven by increasing property values means the Maricopa County surplus continues to grow.

USING THE SURPLUS

How to use the surplus of Maricopa County water storage tax funds has been the topic of much debate, particularly in 2013 surrounding the one-time $45 million use by CAWCD. The primary issue in the debate was the use of funds paid by Maricopa County taxpayers for the benefit of everyone in the CAP service area of Pima, Pinal, and Maricopa counties. While the relevant statutes are clear that funds not transferred to the Arizona water banking fund can be used for the benefit of the Project as a whole, many subcontractors held the position that such use of tax proceeds shortchanged Maricopa County taxpayers.

48 Despite similar net assessed valuation to M&I firming goal ratios, the Pinal AMA is significantly ahead of the Tucson AMA in achieving its M&I firming goal because the average cost to earn LTSCs in the Pinal AMA has been so much lower, as shown in Table 1.


52 Laws 2014, Ch. 126, § 4-7.

53 ADWR, AWBA, & CAWCD, [IGA] among [ADWR], [AWBA] and [CAWCD] Amendment No. 2, August 5, 2015, 6.2(e).
Since the one-time use of $45 million, CAWCD staff has suggested the Maricopa County surplus funds could be used to address other financial issues, taking into account the needs of AWBA.\textsuperscript{54} Regardless of any new proposal for using the surplus collections, satisfying AWBA’s storage goal for M&I firming in the Phoenix AMA is a priority. As of December 31, 2015, AWBA had fulfilled 88.8% of its Phoenix AMA goal with 175,994 acre-feet remaining to be stored.\textsuperscript{55,56} Calculations done by AMWUA suggest meeting the Phoenix AMA goal before 2027 could cost another $30-$60 million. This range depends largely on the availability of excess water, how long the goal takes to achieve, and how many LTSCs are purchased on the open market.

As explained earlier, annual resolutions approved by the CAWCD Board govern the use of water storage tax funds in any given year. Surplus funds through tax year 2009, amounting to $68.62 million, are dedicated solely for storing water for M&I firming by AWBA.\textsuperscript{57} While this dedicated amount should be enough to accomplish the Phoenix AMA M&I firming goal, CAWCD can also use funds from post-2009 resolution years for water banking activities, totaling $45.6 million. Furthermore, ongoing annual water storage tax collections are currently yielding roughly $15 million per year in Maricopa County alone.\textsuperscript{58} To date, the CAWCD Board has been able to honor every request for water storage tax funds by AWBA and there is no reason to expect they would not continue to do so.\textsuperscript{59}

Beginning in 2010, the CAWCD Board has approved broader resolution language for water storage tax funds to give it greater spending flexibility in addressing predicted outlays. The effort to extend the tax authorization past 2017 specifically noted that the tax funds would be used to help absorb significant new costs. Examples of these costs include those related to a shortage declaration on the Colorado River, replacing aging canal infrastructure; and NGS pollution controls, lease renewals, and eventual replacement.\textsuperscript{60,61}

To maintain the greatest amount of spending flexibility while ensuring AWBA requests are met, CAWCD staff expends older surplus funds under more specific resolutions first when AWBA makes a request to store water. Table 2 details how many surplus water storage tax funds collected in Maricopa County remain under each resolution as of June 30, 2016.

\textsuperscript{54} Central Arizona Water Conservation District, “Discussion and Possible Consideration of Action to Recommend that the Board Implement a Plan to Address the Deficit in the Strategic Reserves and Repayment Issue,” Board of Directors Action Brief, February 18, 2016, 2.


\textsuperscript{57} Id. at 10.

\textsuperscript{58} Id. at 19.

\textsuperscript{59} Central Arizona Water Conservation District, 4-Cent Tax Extension, September 9, 2014, slide 11.

\textsuperscript{60} Id. at slides 15-18.

\textsuperscript{61} Central Arizona Water Conservation District, CAWCD’s 4-Cent Property Tax Extension of Levy Authority, December 2014.
Table 2: Surplus Maricopa County Water Storage Tax Funds – June 30, 2016

<table>
<thead>
<tr>
<th>Tax Years</th>
<th>Amount ($,000)</th>
<th>CAWCD Board Resolution Directed Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-2008</td>
<td>$45,057</td>
<td>&quot;[D]efray the annual [OM&amp;R] costs associated with the purchase of Project water by the [AWBA] for the purpose of firming [M&amp;I] water supplies and related [admin.] costs&quot;</td>
</tr>
<tr>
<td>2009</td>
<td>$23,165</td>
<td>&quot;[D]efray the annual operation, maintenance, and replacement costs related to underground storage&quot;</td>
</tr>
<tr>
<td>2010-2011</td>
<td>$3,617</td>
<td>&quot;[D]efray annual operation, maintenance, and replacement costs&quot;</td>
</tr>
<tr>
<td>2012-2015</td>
<td>$42,003</td>
<td>&quot;repayment of the construction costs or payment of the annual [OM&amp;R] costs of the Project&quot;</td>
</tr>
<tr>
<td>Total</td>
<td>$113,844</td>
<td></td>
</tr>
</tbody>
</table>

Table Notes:
(1) Amounts through June 2016 i.e., tax year 2015
(3) 2015 resolution added, "including underground storage for the purpose of M&I firming by the [AWBA]"
(4) Data provided by Doug Dunlap, CPA, Finance and Accounting Manager, CAWCD

Regarding significant new costs, CAWCD legal staff has recently ruled out one major potential use of water storage tax funds suggested during the tax extension effort—recovery infrastructure. AWBA has stored millions of acre-feet of water to firm or supplement delivery obligations during shortage. For much of the water stored, no recovery infrastructure exists to directly recover it. A prime example of this is the Tonopah Desert Recharge Project (TDRP) situated adjacent to the CAP canal west of the Phoenix metropolitan area. AWBA has stored nearly half-a-million acre-feet at TDRP but CAWCD has no means to directly recover this water. CAWCD has estimated recovery infrastructure, including water treatment facilities and power supplies at TDRP could cost $143 - $213 million.

CAWCD recently communicated that recovery infrastructure is not an authorized use of water storage tax funds because the phrase referring to such use was directly removed by the Legislature in 1996. However, CAWCD’s interpretation of the relevant statutes only relates to the direct use of water storage tax funds. CAWCD staff has indicated that it might still be possible to use water storage tax funds to help fund recovery infrastructure indirectly. For example, CAWCD could use water storage tax funds to pay the Fixed OM&R consideration and Pumping Energy incentives for agricultural users currently covered by the ten-cent general ad

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62 Tony Staffaroni, email message to the author, July 14, 2016.
65 Tony Staffaroni, email message to the author, July 20, 2016.
valorem tax, thereby freeing up ten-cent tax funds. The ten-cent general ad valorem tax has a number of statutorily authorized uses including paying for recovery infrastructure.\textsuperscript{66} While CAWCD General Manager Ted Cooke has said he and his staff are open to evaluating new ideas on how to use the funds, any proposed use Maricopa County water storage tax revenues is subject to CAWCD Board approval.

CONCLUSION

Meeting the current M&I firming goal for the Phoenix AMA is all but assured considering the existing surplus of Maricopa County water storage tax funds along with ongoing annual collections. After the firming goal has been met, there is likely to be a significant sum of funds that have not been committed to any particular cause. Arizona statute say the water storage tax can be used for repayment of CAWCD’s federal debt as well as annual OM&R costs of the Project. Plus, the water storage tax can be used to accomplish the AWBA’s mission even after firming goals it established are met. Such as, continuing to “protect Arizona [M&I] water users against future water shortages on the Colorado River and disruptions of operations of the [CAP]” should additional excess water becomes available in the future.\textsuperscript{67} All of this provides significant latitude when deciding how to use the water storage tax funds for the benefit of CAWCD and its customers.

For these uncommitted funds, there is no shortage of potential uses, as CAWCD has previously identified a number of large obligations on the horizon during the tax extension effort. As these obligations creep closer, it is becoming increasingly important for CAWCD to establish a plan for how the water storage tax funds will be spent. Absent a detailed plan, the temptation to use the funds to address short-term financial issues could keep them from being used to provide the maximum long-term benefit.

\textsuperscript{66} A.R.S. § 48-3703.1 & 48-3713.B.4-8.
\textsuperscript{67} A.R.S. § 45-2401.H.2.
Utilization of CAWCD Taxes for Federal Repayment

STRATEGIC PLAN REFERENCE

Objectives – Minimize Financial Impacts
Collaboration – Central Arizona Project

SUMMARY

The Central Arizona Water Conservation District (CAWCD) has two means to pay its federal debt repayment: property taxes and capital charges. Last year, the Central Arizona Project (CAP) Board of Directors voted to increase significantly capital charges in 2017 and 2018 in order to address CAP’s federal repayment structural deficit. Subsequently, CAP staff has interpreted the CAP Board’s June 2016 direction to mean that federal debt repayment will not be subsidized by property taxes, and by extension, its strategic reserves. This viewpoint was expressed at the November 2, 2016 Board retreat on finances. At the February 2017 meeting of the CAP Power Task Force, staff highlighted that the M&I capital charge is the only current option to cover an estimated $12 million of lost net revenue for repayment from the closure of the Navajo Generating Station.

Excluding CAP property taxes from future repayment discussions is counter to how federal payment has been addressed through the years. The State statutes for both of CAP’s property taxes clearly state that a primary purpose of those taxes is to assist with the federal repayment. Staff has prepared a presentation that reviews CAP’s taxes and puts forward a case that those taxes should continue to be considered in future discussions on fulfilling the federal debt repayment obligation. This presentation was given to the AMWUA Management Board at its April 12, 2017 meeting.

RECOMMENDATION

The AMWUA Board of Directors is encouraged to ask questions and discuss staff’s presentation regarding CAP’s utilization of federal repayment.

The AMWUA Management Board recommended that the AMWUA Board of Directors take the position that AMWUA should advocate for CAP property taxes to continue to be used to support CAP’s federal debt repayment.
AMWUA Fiscal Year 2018 Preliminary Draft Budget

STRATEGIC PLAN REFERENCE

Operational Principles – Manage an Efficient and Effective Association

SUMMARY

Attached is the preliminary draft of the Fiscal Year 2018 annual budget, which includes a summary page with comments to explain any increases or decreases to particular line items.

Development of the Fiscal Year 2018 budget was guided by AMWUA’s Strategic Plan and the recently approved Annual Plan for Fiscal Year 2018. This budget allows AMWUA to continue to be a forum for its members to collaborate on water issues; to develop and advocate positions that safeguard our water resources; to promote continual planning and investment for resources and infrastructure with the Legislature, ADWR, CAWCD, SRP and other stakeholders; and to be at the forefront of demand management and water conservation efforts.

This draft budget shows a decrease of $3,867 from the approved Fiscal Year 2017 budget. The following summarizes the budget categories and provides explanation for line items that have an increase or decrease from last year’s budget.

Administration – This includes salaries and ASRS retirement contributions, reflecting an increase of $42,076. The increase is primarily due to the following:

- Following annual employee reviews, most of the staff received a 2% performance award half-way through the Fiscal Year 2017, which was in the current budget.
- Programs Assistant – A $5,000 increase is recommended for the salary of the Programs Assistant. When the Administrative Assistant position needed to be filled this fiscal year, the position was renamed to Programs Assistant to better reflect the tasks needed from this position to assist both the Office Manager and the Assistant Director. The $5,000 increase to this position better reflects the job description and salaries of positions with similar duties.
- Receptionist – This part-time position is $22,880, which is the same amount that was listed under temporary services for filling this position through a temp agency. By moving the position to administration, we are able to gain more hours from the position
(from 20 to 25 hours per week) and retain the current employee who has performed very well in this position.

• Performance Awards – An up-to 2.5% performance award for each full-time employee, except the Executive Director and Programs Assistant, is recommended for employees who excel in their performance. The awards would occur half-way through Fiscal Year 2018.

**Employee Benefits** - The increase of $4,310 is due primarily to increases from payroll and taxes based on the increase under Administration, including moving the Receptionist position from Temporary Services to Administration.

**Professional Services** – This includes outside services that AMWUA utilizes throughout the year. The budget reflects a decrease of $52,280 from last year. The main changes include:

- **Temporary Services/Receptionist** – As explained above, this has been moved to Administration.
- **Website Maintenance** – There is no change to this line item. The actuals are projected to be higher due to a carryover from Fiscal Year 2016, which was applied to Fiscal Year 2017. Actuals are also higher due to unanticipated expenses with transferring all websites to a new hosting service that is more flexible and cost-effective.
- **Audio/Visual Development** – This new category at $2,500 would cover what we are not able to build or produce in-house for needed graphics, infographics, videos, podcast recordings, PowerPoint assets, the layout/design of special documents, photo purchases and related items that support projects, websites, blog and social media.
- **IT Services** – This professional service was pulled out from Equipment Maintenance, where it had been included, to be more consistent with the budget structure and better differentiate the work performed to maintain and troubleshoot AMWUA’s IT hardware and software.
- **Financing and Accounting Services** – The reduction on this line item is per the contract accepted by the AMWUA Board at its December 2016 meeting.
- **Audit** – The $900 increase is per the 5th year of the five-year agreement.

**Occupancy** – These items are related to the renting of office and meeting space for AMWUA, and reflect a $1,626 increase.

- **Office Space** – AMWUA’s lease calls for a final scheduled rent increase to begin in March 2018 and is reflected in this line item. The monthly lease amount will stay in place until 2021.
- **Building Operating Costs** – This line item is for AMWUA’s proportionate share of building common area maintenance costs and is non-negotiable.

**Training and Travel** – This category covers items involved with staff participating in conferences, workshops, and training along with the related travel expenses. This category has an overall decrease of $500.
• Conferences/Travel – The $500 increase is to better allow for attendance at known conferences and workshops, as well as unanticipated ones.

• Mileage Reimbursement – This covers mileage reimbursement to local conferences and workshops and other meetings that staff attends. The $800 decrease is to better reflect the actuals from the current year.

Capital Outlay – The two items under this category cover AMWUA’s primary capital property. The increase of $2,000 is due to the following:

• Copy Machine Expenses – This remains at $5,200 to cover copier lease payments and per copy charges.

• Computer/Equipment/Software – This includes AMWUA’s server backup and recoverable files, and technical support and maintenance for accounting software. The $2,000 increase is to be able to update the email services and existing out-of-date Microsoft Office software, and to respond to unanticipated computer-related needs.

Office Operating Expenses – These items cover AMWUA’s day-to-day office operating expenses. This category has a decrease of $1,100.

• Supplies – The $1,000 increase is due to combining Copy Paper & Supplies within this line item. However, the net effect of combining the two categories is a $500 decrease.

• Meetings – This includes providing lunches at a number of AMWUA meetings along with coffee, and the other related supplies.

• Outreach Efforts – This new line item of $5,000 is to allow AMWUA to continue to do outreach efforts such as the Legislative Forum and the Finance Workshop.

• Printing – This line item covers letterhead, envelopes, business cards, special print projects, checks, etc. The $300 increase is to cover the need for reprinting a number of those items.

• Postage & Deliveries – The $500 reduction is to better match actuals from the current fiscal year.

• Subscription & Reference – This line item includes using Constant Contact for sending out mass emails for the blog, Gannet digital newspaper, legislative materials, AZ Capitol Times, The Water Report, and Arizona water law books.

• Dues & Memberships – This line item is reduced to better match actuals.

• Insurance-Public Liability and Property Damage – This line item includes AMWUA’s general liability insurance and Directors & Officers insurance. There is no change in this category.

• Equipment Maintenance – This line item decreased because the IT Services contract was moved under Professional Services.

Water Conservation – This category remains at $90,000, as it has been for the last six years. Half of the Regional Conservation Program budget funds ongoing commitments, including the implementation and support of landscape professional training programs and conferences, funding of the Water—Use It Wisely conservation awareness campaign, membership in the
Alliance for Water Efficiency, and printing materials to promote the regional websites, resources, and programs.

The remainder of the budget supports the maintenance, updating, and development of publications, websites, and resources; research; and efficiency training that support individual member efforts. In Fiscal Year 2018, a particular focus is being placed on projects that will support the development of member programs to improve water use efficiency in the commercial, institutional, and industrial sector.

**Members Assessment** – The draft Fiscal Year 2018 budget is $3,867 less than the approved Fiscal Year 2017 budget. Even though this budget is less than last year’s budget, there will be slight increases in the amounts assessed to the members. The reason for this is because last year the members benefitted from a carryover from the previous fiscal year of $59,211. There is a smaller carryover this year as AMWUA expects to finish under budget by approximately $13,871.

Please note that this is the second budget to reflect the new allocation process that was approved in 2015. This new process applies to the water portion of the budget. One-half of the proposed water budget is allocated evenly among all the members and the other half is based on the proportion of each member’s population to the total population. The population figures are taken from the MAG 2016 official population estimates. The wastewater portion of the budget continues to be allocated based on percentage of ownership at the 91st Avenue WWTP.

The draft Fiscal Year 2018 budget was presented to the AMWUA Management Board at its April 12, 2017 meeting.

**RECOMMENDATION**

The AMWUA Board of Directors is requested to review and provide feedback regarding the draft Fiscal Year 2018 budget. The Board’s feedback will be included when the draft budget is presented to the Board on April 27, 2017.

A final budget for Fiscal Year 2018 will be presented to the Management Board in May for a recommendation that we will present for consideration to the AMWUA Board of Directors.

**ATTACHMENT**

- AMWUA Fiscal Year 2018 Preliminary Draft Budget
Arizona Municipal Water Users Association

Preliminary Draft Budget
Fiscal Year 2018
# ASSESSMENT SUMMARY

<table>
<thead>
<tr>
<th></th>
<th>WATER FY 17</th>
<th>WATER FY 18</th>
<th>WASTEWATER FY 17</th>
<th>WASTEWATER FY 18</th>
<th>TOTAL FY 17</th>
<th>TOTAL FY 18</th>
<th>Change</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>CITY OF CHANDLER</td>
<td>94,495</td>
<td>95,657</td>
<td></td>
<td></td>
<td>94,495</td>
<td>95,657</td>
<td>1,162</td>
<td>1.23%</td>
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<tr>
<td>CITY OF AVONDALE</td>
<td>67,364</td>
<td>68,481</td>
<td></td>
<td></td>
<td>67,364</td>
<td>68,481</td>
<td>1,117</td>
<td>1.66%</td>
</tr>
<tr>
<td>TOWN OF GILBERT</td>
<td>93,466</td>
<td>93,965</td>
<td></td>
<td></td>
<td>93,466</td>
<td>93,965</td>
<td>499</td>
<td>0.53%</td>
</tr>
<tr>
<td>CITY OF GLENDALE</td>
<td>92,178</td>
<td>93,613</td>
<td>12,832</td>
<td>14,335</td>
<td>105,010</td>
<td>107,948</td>
<td>2,938</td>
<td>2.80%</td>
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<tr>
<td>CITY OF GOODYEAR</td>
<td>67,187</td>
<td>68,180</td>
<td></td>
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<td>67,187</td>
<td>68,180</td>
<td>993</td>
<td>1.48%</td>
</tr>
<tr>
<td>CITY OF MESA</td>
<td>128,184</td>
<td>130,249</td>
<td>28,406</td>
<td>31,733</td>
<td>156,591</td>
<td>161,982</td>
<td>5,391</td>
<td>3.44%</td>
</tr>
<tr>
<td>CITY OF PEORIA</td>
<td>81,476</td>
<td>82,232</td>
<td></td>
<td></td>
<td>81,476</td>
<td>82,232</td>
<td>756</td>
<td>0.93%</td>
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<tr>
<td>CITY OF PHOENIX</td>
<td>297,968</td>
<td>304,413</td>
<td>109,659</td>
<td>122,501</td>
<td>407,627</td>
<td>426,914</td>
<td>19,287</td>
<td>4.73%</td>
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<tr>
<td>CITY OF SCOTTSDALE</td>
<td>91,611</td>
<td>93,652</td>
<td>19,686</td>
<td>21,992</td>
<td>111,297</td>
<td>115,644</td>
<td>4,347</td>
<td>3.91%</td>
</tr>
<tr>
<td>CITY OF TEMPE</td>
<td>82,189</td>
<td>83,866</td>
<td>28,222</td>
<td>31,527</td>
<td>110,411</td>
<td>115,393</td>
<td>4,982</td>
<td>4.51%</td>
</tr>
<tr>
<td><strong>Total from Members</strong></td>
<td>1,096,118</td>
<td>1,114,309</td>
<td>198,805</td>
<td>222,088</td>
<td>1,294,924</td>
<td>1,336,397</td>
<td>41,473</td>
<td>3.20%</td>
</tr>
</tbody>
</table>

Other Funding Sources:

<p>| | | | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2017 Carryover applied to Members 2018 assessments</td>
<td>13,871</td>
<td></td>
<td></td>
<td></td>
<td>13,871</td>
<td></td>
<td>13,871</td>
<td>-0.29%</td>
</tr>
<tr>
<td>2016 Carryover applied to 2017 Website Development</td>
<td>25,000</td>
<td></td>
<td></td>
<td></td>
<td>25,000</td>
<td>-25,000</td>
<td></td>
<td>-25,000</td>
</tr>
<tr>
<td>2016 Carryover applied to Members 2017 assessments</td>
<td>12,598</td>
<td></td>
<td></td>
<td></td>
<td>34,211</td>
<td>-34,211</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total All Sources</strong></td>
<td>1,133,717</td>
<td>1,128,180</td>
<td>220,419</td>
<td>222,088</td>
<td>1,354,136</td>
<td>1,350,268</td>
<td>-3,867</td>
<td>-0.29%</td>
</tr>
</tbody>
</table>

Note #1. 50% of the water portion of the budget is allocated equally with the remaining based on population according to the MAG 2016 official population estimates.

Note #2. Wastewater Assessments based on ownership in 91st Avenue Wastewater Treatment Plant @ 204.50 MGD.
ARIZONA MUNICIPAL WATER USERS ASSOCIATION  
Fiscal Year 2018  
Preliminary Draft

**EXPENDITURE SUMMARY**

<table>
<thead>
<tr>
<th></th>
<th>WATER FY 17</th>
<th>WATER FY 18</th>
<th>WASTEWATER FY 17</th>
<th>WASTEWATER FY 18</th>
<th>TOTAL FY 17</th>
<th>TOTAL FY 18</th>
<th>Dollar Change</th>
<th>Percentage Change</th>
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</thead>
<tbody>
<tr>
<td>ADMINISTRATION</td>
<td>531,034</td>
<td>562,816</td>
<td>98,938</td>
<td>109,232</td>
<td>629,972</td>
<td>672,048</td>
<td>42,076</td>
<td>6.68%</td>
</tr>
<tr>
<td>EMPLOYEE BENEFITS</td>
<td>104,358</td>
<td>107,807</td>
<td>19,452</td>
<td>20,313</td>
<td>123,810</td>
<td>128,120</td>
<td>4,310</td>
<td>3.48%</td>
</tr>
<tr>
<td>PROFESSIONAL SERVICES</td>
<td>226,568</td>
<td>184,537</td>
<td>38,612</td>
<td>28,363</td>
<td>265,180</td>
<td>212,900</td>
<td>-52,280</td>
<td>-19.71%</td>
</tr>
<tr>
<td>OCCUPANCY</td>
<td>134,538</td>
<td>134,877</td>
<td>54,736</td>
<td>56,023</td>
<td>189,274</td>
<td>190,900</td>
<td>1,626</td>
<td>0.86%</td>
</tr>
<tr>
<td>TRAVEL, TRAINING &amp; CONFER.</td>
<td>12,750</td>
<td>12,325</td>
<td>2,250</td>
<td>2,175</td>
<td>15,000</td>
<td>14,500</td>
<td>-500</td>
<td>-3.33%</td>
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<tr>
<td>CAPITAL OUTLAY</td>
<td>7,754</td>
<td>9,380</td>
<td>1,446</td>
<td>1,820</td>
<td>9,200</td>
<td>11,200</td>
<td>2,000</td>
<td>21.74%</td>
</tr>
<tr>
<td>OFFICE OPERATING EXPENSES</td>
<td>26,715</td>
<td>26,438</td>
<td>4,985</td>
<td>4,162</td>
<td>31,700</td>
<td>30,600</td>
<td>-1,100</td>
<td>-3.47%</td>
</tr>
<tr>
<td>WATER CONSERVATION</td>
<td>90,000</td>
<td>90,000</td>
<td>90,000</td>
<td>90,000</td>
<td>90,000</td>
<td>90,000</td>
<td>0</td>
<td>.00%</td>
</tr>
</tbody>
</table>

**TOTAL**  
1,133,717  
1,128,180  
220,419  
222,088  
1,354,135  
1,350,268  
-3,867  
-0.29%
## BUDGET COMMENTS

<table>
<thead>
<tr>
<th>ADMINISTRATION</th>
<th>BUDGET TOTAL FY 16</th>
<th>BUDGET TOTAL FY 17</th>
<th>ESTIMATED TOTAL FY 17</th>
<th>BUDGET TOTAL FY 18</th>
<th>COMMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Director</td>
<td>65,000</td>
<td>135,000</td>
<td>135,000</td>
<td>137,700</td>
<td>Increase per Board's direction from 2/23/2017 meeting.</td>
</tr>
<tr>
<td>Assistant Director</td>
<td>95,367</td>
<td>95,367</td>
<td>95,367</td>
<td>97,274</td>
<td>Increase per performance award effective 1/1/2017 based on performance evaluation.</td>
</tr>
<tr>
<td>Program Manager-Fiscal/SROG</td>
<td>108,443</td>
<td>73,000</td>
<td>73,000</td>
<td>74,460</td>
<td>Increase per performance award effective 1/1/2017 based on performance evaluation.</td>
</tr>
<tr>
<td>Water Policy Analyst</td>
<td>75,000</td>
<td>73,000</td>
<td>73,730</td>
<td>74,460</td>
<td>Increase per performance award effective 1/1/2017 based on performance evaluation.</td>
</tr>
<tr>
<td>SROG Coordinator</td>
<td>60,000</td>
<td>70,000</td>
<td>70,000</td>
<td>70,000</td>
<td>No increase this year but still received a performance evaluation.</td>
</tr>
<tr>
<td>Office Manager/Executive Asst.</td>
<td>70,000</td>
<td>70,000</td>
<td>70,000</td>
<td>71,400</td>
<td>Increase per performance award effective 1/1/2017 based on performance evaluation.</td>
</tr>
<tr>
<td>Programs Assistant</td>
<td>42,124</td>
<td>42,124</td>
<td>29,838</td>
<td>47,124</td>
<td>Salary adjusted to better reflect job description duties as compared to similar positions and strong performance.</td>
</tr>
<tr>
<td>Receptionist (part-time)</td>
<td>32,963</td>
<td></td>
<td></td>
<td>22,880</td>
<td>Position had been listed under temporary services. Able to gain more hours (20 to 25 per week) at same cost and want to retain as employee at end of temporary services agreement.</td>
</tr>
<tr>
<td>Performance Awards</td>
<td></td>
<td></td>
<td></td>
<td>3,535</td>
<td>Up to 2.5% performance award for full-time employees except Executive Director and Programs Assistant for last six months of FY 2018.</td>
</tr>
<tr>
<td>Deferred Compensation:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Arizona State Retirement</td>
<td>63,260</td>
<td>67,946</td>
<td>59,000</td>
<td>71,905</td>
<td>Slight increase due to moving position from temp services to admin and proposed performance awards.</td>
</tr>
<tr>
<td>Subtotal</td>
<td>612,157</td>
<td>629,972</td>
<td>607,365</td>
<td>672,048</td>
<td></td>
</tr>
</tbody>
</table>

## EMPLOYEE BENEFITS

<table>
<thead>
<tr>
<th>BUDGET TOTAL FY 16</th>
<th>BUDGET TOTAL FY 17</th>
<th>ESTIMATED TOTAL FY 17</th>
<th>BUDGET TOTAL FY 18</th>
<th>COMMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll Processing, Taxes, Insur</td>
<td>65,000</td>
<td>51,690</td>
<td>50,171</td>
<td>56,000</td>
</tr>
<tr>
<td>Medical, Dental, Life, Disability</td>
<td>72,500</td>
<td>69,000</td>
<td>65,350</td>
<td>69,000</td>
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<tr>
<td>Cell Phone Allowance</td>
<td>870</td>
<td>3,120</td>
<td>3,120</td>
<td>3,120</td>
</tr>
<tr>
<td>Subtotal</td>
<td>138,370</td>
<td>123,810</td>
<td>118,641</td>
<td>128,120</td>
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</tbody>
</table>

## PROFESSIONAL SERVICES

<table>
<thead>
<tr>
<th>BUDGET TOTAL FY 16</th>
<th>BUDGET TOTAL FY 17</th>
<th>ESTIMATED TOTAL FY 17</th>
<th>BUDGET TOTAL FY 18</th>
<th>COMMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Temporary Services/Receptionist</td>
<td>22,880</td>
<td>15,500</td>
<td>-0-</td>
<td>Moved to Administration as part-time Receptionist. Actuals under due to position not filled the full year.</td>
</tr>
<tr>
<td>Website Maintenance</td>
<td>10,000</td>
<td>5,000</td>
<td>10,061</td>
<td>5,000</td>
</tr>
<tr>
<td>Audio/Visual Development</td>
<td>40,000</td>
<td>40,000</td>
<td>40,000</td>
<td>40,000</td>
</tr>
<tr>
<td>IT Services</td>
<td>5,000</td>
<td>5,000</td>
<td>4,000</td>
<td>5,000</td>
</tr>
<tr>
<td>Communication</td>
<td>30,000</td>
<td>30,000</td>
<td>30,000</td>
<td>30,000</td>
</tr>
<tr>
<td>Legal/Policy Consulting</td>
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<td>Legislative</td>
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<td>42,000</td>
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<td>Financial and Accounting Services</td>
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<td>30,400</td>
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<td>Subtotal</td>
<td>288,650</td>
<td>265,180</td>
<td>285,815</td>
<td>212,900</td>
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## OCCUPANCY

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<tr>
<th>BUDGET TOTAL FY 16</th>
<th>BUDGET TOTAL FY 17</th>
<th>ESTIMATED TOTAL FY 17</th>
<th>BUDGET TOTAL FY 18</th>
<th>COMMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office Space</td>
<td>171,575</td>
<td>172,074</td>
<td>172,074</td>
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<td>3,525</td>
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<tr>
<td>Telecommunications</td>
<td>10,000</td>
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<td>9,000</td>
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<tr>
<td>E-Mail/Webpage/Internet Access</td>
<td>4,120</td>
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<td>189,274</td>
<td>188,249</td>
<td>190,900</td>
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## BUDGET COMMENTS

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<th></th>
<th>BUDGET TOTAL FY 16</th>
<th>BUDGET TOTAL FY 17</th>
<th>ESTIMATED ACTUAL FY 17</th>
<th>BUDGET TOTAL FY 18</th>
<th>COMMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TRAINING AND TRAVEL</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conferences/Travel</td>
<td>7,000</td>
<td>8,500</td>
<td>8,300</td>
<td>9,000</td>
<td>Increase to better allow attendance at known conferences and workshops and unanticipated ones.</td>
</tr>
<tr>
<td>Mileage Reimbursement</td>
<td>3,500</td>
<td>3,800</td>
<td>2,700</td>
<td>3,000</td>
<td>Reduced to better match actuals from FY 2017</td>
</tr>
<tr>
<td>Continuing Professional Ed</td>
<td>1,600</td>
<td>1,200</td>
<td>695</td>
<td>1,000</td>
<td>Reduced to better match actuals from FY 2017</td>
</tr>
<tr>
<td>Staff Development</td>
<td>2,500</td>
<td>1,500</td>
<td>-0</td>
<td>1,500</td>
<td>No change - intend to do more concerted development.</td>
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<tr>
<td><strong>Subtotal</strong></td>
<td>14,600</td>
<td>15,000</td>
<td>11,695</td>
<td>14,500</td>
<td></td>
</tr>
<tr>
<td><strong>CAPITAL OUTLAY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Copy Machine Expenses</td>
<td>5,500</td>
<td>5,200</td>
<td>4,800</td>
<td>5,200</td>
<td>No change</td>
</tr>
<tr>
<td>Computer/Equipment/Software</td>
<td>4,000</td>
<td>4,000</td>
<td>4,000</td>
<td>6,000</td>
<td>Increase to update email services and office software, and to cover unanticipated computer needs</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>9,500</td>
<td>9,200</td>
<td>8,800</td>
<td>11,200</td>
<td></td>
</tr>
<tr>
<td><strong>OFFICE OPERATING EXPENSES</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
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<td>6,000</td>
<td>6,000</td>
<td>7,000</td>
<td>Copy Paper &amp; Supplies consolidated under Supplies - reduced to better match actuals from FY 2017</td>
</tr>
<tr>
<td>Meetings</td>
<td>3,000</td>
<td>5,000</td>
<td>5,000</td>
<td>5,000</td>
<td>No Change</td>
</tr>
<tr>
<td>Outreach Efforts</td>
<td>1,500</td>
<td>1,500</td>
<td>1,500</td>
<td>5,000</td>
<td>New line item to allow for outreach efforts AMWUA may pursue such as legislative forum</td>
</tr>
<tr>
<td>Copy Paper &amp; Supplies</td>
<td>2,000</td>
<td>2,000</td>
<td>2,000</td>
<td>2,300</td>
<td>-0 Consolidated with Supplies</td>
</tr>
<tr>
<td>Printing</td>
<td>1,000</td>
<td>2,500</td>
<td>2,000</td>
<td>2,000</td>
<td>Reduced to better match actuals from FY 2017</td>
</tr>
<tr>
<td>Subscription &amp; Reference</td>
<td>7,000</td>
<td>2,000</td>
<td>1,200</td>
<td>1,300</td>
<td>Reduced to better match actuals from FY 2017</td>
</tr>
<tr>
<td>Dues &amp; Memberships</td>
<td>2,200</td>
<td>2,200</td>
<td>1,500</td>
<td>2,000</td>
<td>Reduced to better match actuals from FY 2017</td>
</tr>
<tr>
<td>Insurance-Public Liability</td>
<td>6,000</td>
<td>4,000</td>
<td>4,000</td>
<td>4,000</td>
<td>No change</td>
</tr>
<tr>
<td>and Property Damage</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equipment Maintenance</td>
<td>6,500</td>
<td>6,500</td>
<td>6,500</td>
<td>2,000</td>
<td>IT Services moved to Professional Services</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>35,200</td>
<td>31,700</td>
<td>29,700</td>
<td>30,600</td>
<td></td>
</tr>
<tr>
<td><strong>WATER CONSERVATION</strong></td>
<td>90,000</td>
<td>90,000</td>
<td>90,000</td>
<td>90,000</td>
<td>No change</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>137,672</td>
<td>134,136</td>
<td>134,265</td>
<td>135,268</td>
<td></td>
</tr>
</tbody>
</table>

### FUNDING SOURCES

- 2017 Carryover applied to 2018 assessments $13,871
- 2016 Carryover applied to 2017 website develop. $25,000
- 2015 Carryover applied to 2016 website develop. $60,000
- Carryover applied to members assessments $37,433
- Member Assessments $1,280,239

**Total Funding** $1,377,672
## EXPENDITURES DETAIL

|                      | WATER | WASTEWATER | WATER | WASTEWATER | WATER | WASTEWATER | WATER | WASTEWATER | WATER | WASTEWATER | WATER | WASTEWATER | WATER | WASTEWATER | WATER | WASTEWATER | WATER | WASTEWATER | WATER | WASTEWATER | WATER | WASTEWATER |
|----------------------|-------|------------|-------|------------|-------|------------|-------|------------|-------|------------|-------|------------|-------|------------|-------|------------|-------|------------|-------|------------|-------|------------|-------|------------|
| **ADMINISTRATION**   |       |            |       |            |       |            |       |            |       |            |       |            |       |            |       |            |       |            |       |            |       |            |       |            |
| Executive Director   | 132,300 | 132,300 | 134,946 | 2,700 | 2,700 | 2,754 | 135,000 | 135,000 | 137,700 |
| Assistant Director   | 95,367 | 95,367 | 97,274 | 73,000 | 73,000 | 73,000 | 95,367 | 95,367 | 97,274 |
| Water Policy Analyst  | 73,000 | 73,000 | 73,000 | 73,000 | 73,000 | 73,000 | 8,121 | 8,121 | 8,121 |
| Water Policy Analyst  | 73,000 | 73,000 | 73,000 | 73,000 | 73,000 | 73,000 | 73,000 | 73,000 | 73,000 |
| SROG Coordinator     | 1,400 | 1,400 | 1,400 | 68,600 | 68,600 | 68,600 | 1,400 | 1,400 | 1,400 |
| Office Manager/Executive Asst. | 59,500 | 60,095 | 60,095 | 60,095 | 59,500 | 60,095 | 59,500 | 60,095 | 59,500 |
| Programs Assistant   | 35,805 | 25,361 | 40,055 | 6,319 | 4,477 | 7,069 | 42,124 | 29,838 | 47,124 |
| Receptionist (part-time) | 16,016 | 6,864 | 16,016 | 6,864 | 16,016 | 6,864 | 16,016 | 6,864 | 16,016 |
| **Total Wages**      | 473,907 | 461,983 | 503,271 | 88,119 | 86,382 | 96,872 | 562,026 | 548,365 | 600,143 |
| **Deferred Compensation:** | 57,127 | 49,605 | 59,545 | 10,819 | 9,395 | 12,360 | 67,946 | 59,000 | 71,905 |
| **Subtotal**         | 531,034 | 511,588 | 562,816 | 98,938 | 95,777 | 109,232 | 629,972 | 607,365 | 672,048 |
| **EMPLOYEE BENEFITS**|       |            |       |            |       |            |       |            |       |            |       |            |       |            |       |            |       |            |       |            |       |            |
| Payroll Processing,Taxes, Insur | 43,569 | 42,259 | 46,900 | 8,121 | 7,912 | 9,100 | 51,690 | 50,171 | 56,000 |
| Medical, Dental, Life, Disability | 58,160 | 55,044 | 57,787 | 10,840 | 10,306 | 11,213 | 69,000 | 65,350 | 69,000 |
| Cell Phone Allowance  | 2,629 | 2,627 | 3,120 | 491 | 493 | 3,120 | 3,120 | 3,120 | 3,120 |
| **Subtotal**         | 104,356 | 99,930 | 107,807 | 19,452 | 18,711 | 20,313 | 123,810 | 118,641 | 128,120 |
| **PROFESSIONAL SERVICES** |       |            |       |            |       |            |       |            |       |            |       |            |       |            |       |            |       |            |       |            |
| Temporary Services/Receptionist | 13,728 | 9,300 | 9,152 | 6,200 | 6,200 | 22,880 | 15,500 | 5,000 | 12,500 |
| Website Maintenance   | 5,000 | 10,061 | 5,000 | 5,000 | 10,061 | 5,000 | 10,061 | 5,000 | 10,061 |
| Audio/Visual Development | 4,187 | 813 | 4,187 | 813 | 4,187 | 813 | 4,187 | 813 | 4,187 |
| **Subtotal**         | 226,568 | 251,435 | 184,537 | 38,612 | 34,380 | 28,363 | 265,180 | 285,815 | 212,900 |
| **OCCUPANCY**        |       |            |       |            |       |            |       |            |       |            |       |            |       |            |       |            |       |            |       |            |
| Office Space         | 120,041 | 144,939 | 120,892 | 52,033 | 27,125 | 53,308 | 172,074 | 172,074 | 174,200 |
| Building Operating Costs | 2,525 | 2,969 | 2,931 | 556 | 556 | 556 | 3,000 | 3,552 | 3,552 |
| Telecommunications   | 8,429 | 7,159 | 7,537 | 1,571 | 1,341 | 1,463 | 10,000 | 8,500 | 9,000 |
| E-Mail/Webpage/Internet Access | 3,540 | 3,495 | 3,517 | 660 | 655 | 683 | 4,200 | 4,150 | 4,200 |
| **Subtotal**         | 134,538 | 158,562 | 134,877 | 54,736 | 29,687 | 56,023 | 189,274 | 188,249 | 190,900 |
# EXPENDITURES DETAIL

## TRAINING AND TRAVEL

<table>
<thead>
<tr>
<th></th>
<th>BUDGET WATER FY 17</th>
<th>WATER ACTUAL FY 17</th>
<th>ESTIMATED WATER FY 18</th>
<th>BUDGET WASTEWATER FY 17</th>
<th>WASTEWATER ACTUAL FY 18</th>
<th>BUDGET TOTAL FY 17</th>
<th>TOTAL ACTUAL FY 17</th>
<th>TOTAL FY 18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conferences/Travel</td>
<td>7,225</td>
<td>7,650</td>
<td>415</td>
<td>1,350</td>
<td>450</td>
<td>1,600</td>
<td>8,000</td>
<td>9,000</td>
</tr>
<tr>
<td>Milage Reimbursement</td>
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<td>570</td>
<td>135</td>
<td>450</td>
<td>380</td>
<td>730</td>
<td>3,000</td>
<td>3,000</td>
</tr>
<tr>
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<td>1,020</td>
<td>850</td>
<td>35</td>
<td>150</td>
<td>1,200</td>
<td>950</td>
<td>4,000</td>
<td>695</td>
</tr>
<tr>
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<td>225</td>
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<td>225</td>
<td>1,500</td>
<td>-150</td>
<td>-150</td>
<td>-150</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
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<td>12,325</td>
<td>585</td>
<td>2,175</td>
<td>15,000</td>
<td>11,695</td>
<td>14,500</td>
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## CAPITAL OUTLAY

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<tr>
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<th>WATER ACTUAL FY 17</th>
<th>ESTIMATED WATER FY 18</th>
<th>BUDGET WASTEWATER FY 17</th>
<th>WASTEWATER ACTUAL FY 18</th>
<th>BUDGET TOTAL FY 17</th>
<th>TOTAL ACTUAL FY 17</th>
<th>TOTAL FY 18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Copy Machine Expenses</td>
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<td>5,200</td>
<td>4,800</td>
<td>5,200</td>
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</tr>
<tr>
<td>Computer/Equipment/Software</td>
<td>3,371</td>
<td>5,026</td>
<td>2,000</td>
<td>975</td>
<td>4,000</td>
<td>4,000</td>
<td>4,000</td>
<td></td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>7,754</td>
<td>9,380</td>
<td>3,920</td>
<td>1,820</td>
<td>9,200</td>
<td>8,800</td>
<td>11,200</td>
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</table>

## OFFICE OPERATING EXPENSES

<table>
<thead>
<tr>
<th></th>
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<th>WATER ACTUAL FY 17</th>
<th>ESTIMATED WATER FY 18</th>
<th>BUDGET WASTEWATER FY 17</th>
<th>WASTEWATER ACTUAL FY 18</th>
<th>BUDGET TOTAL FY 17</th>
<th>TOTAL ACTUAL FY 17</th>
<th>TOTAL FY 18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplies</td>
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<td>943</td>
<td>1,138</td>
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<tr>
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<td>786</td>
<td>813</td>
<td>5,000</td>
<td>5,000</td>
<td>5,000</td>
<td></td>
</tr>
<tr>
<td>Outreach Efforts</td>
<td></td>
<td>5,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td>1,926</td>
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<td>374</td>
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<td>333</td>
<td>325</td>
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<td>1,200</td>
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</tr>
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<tr>
<td>Insurance-Public Liability</td>
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<td>3,350</td>
<td>629</td>
<td>650</td>
<td>4,000</td>
<td>4,000</td>
<td>4,000</td>
<td></td>
</tr>
<tr>
<td>and Property Damage</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equipment Maintenance</td>
<td>5,478</td>
<td>1,675</td>
<td>1,022</td>
<td>325</td>
<td>6,500</td>
<td>6,500</td>
<td>6,500</td>
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</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>26,715</td>
<td>26,438</td>
<td>4,985</td>
<td>4,162</td>
<td>31,700</td>
<td>29,700</td>
<td>30,600</td>
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## WATER CONSERVATION

<table>
<thead>
<tr>
<th></th>
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<th>WATER ACTUAL FY 17</th>
<th>ESTIMATED WATER FY 18</th>
<th>BUDGET WASTEWATER FY 17</th>
<th>WASTEWATER ACTUAL FY 18</th>
<th>BUDGET TOTAL FY 17</th>
<th>TOTAL ACTUAL FY 17</th>
<th>TOTAL FY 18</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>90,000</td>
<td>90,000</td>
<td>90,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>1,133,717</td>
<td>1,152,516</td>
<td>1,128,180</td>
<td>187,749</td>
<td>222,088</td>
<td>1,354,136</td>
<td>1,340,265</td>
<td>1,350,268</td>
</tr>
</tbody>
</table>

## FUNDING SOURCES

- **2017 Carryover applied to Members 2018 assessments**: 13,871
- **2016 carryover applied to 2017 website development**: 25,000
- **2016 Carryover applied to members assessments**: 12,598
- **Member Assessments**: 1,096,119

<table>
<thead>
<tr>
<th></th>
<th>BUDGET FY 17</th>
<th>WATER ACTUAL FY 17</th>
<th>ESTIMATED WATER FY 18</th>
<th>BUDGET WASTEWATER FY 17</th>
<th>WASTEWATER ACTUAL FY 18</th>
<th>BUDGET TOTAL FY 17</th>
<th>TOTAL ACTUAL FY 17</th>
<th>TOTAL FY 18</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Funding</strong></td>
<td>1,133,717</td>
<td>1,133,199</td>
<td>1,128,180</td>
<td>220,419</td>
<td>220,217</td>
<td>1,354,136</td>
<td>1,354,136</td>
<td>1,350,268</td>
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</tbody>
</table>

**Funding Sources:**

- **2017 Carryover applied to Members 2018 assessments**: 13,871
- **2016 carryover applied to 2017 website development**: 25,000
- **2016 Carryover applied to members assessments**: 12,598
- **Member Assessments**: 1,096,119

**Total Funding**: 1,133,717