Governor’s Water Augmentation Council
Finance Subcommittee
February 16, 2017 Meeting Summary

Time: 1:00pm – 2:30pm
Location: Arizona Department of Water Resources

The Governor’s Water Augmentation Council (GWAC) Finance Committee was formed to research and identify possible funding sources for future projects proposed by the GWAC. A goal of the Committee is to bring together an interdisciplinary group of experts to solve funding issues for water augmentation projects by analyzing what has worked in the past and will be most effective in the future.

Welcome and Introductions:
On behalf of the Committee Chair, Sandy Fabritz, Arizona Department of Water Resources (ADWR) Staff Martin Stiles introduced the Committee members present: Warren Tenney, Bob Lotts, Dave Roberts, Spencer Kamps, and Sandy Fabritz. Committee members unable to attend were Cheryl Lombard, Bas Aja and Sarah Porter. This was the first official meeting of the Committee; an organizational planning meeting had been held at an earlier date.

Report on Planning Areas Study: Projected Demand and Supply Imbalances and Fiscal Opportunity for Augmentation Projects

At the organizational planning meeting, the Committee asked staff to research the following questions:

1. Which Planning Areas have the most urgent imbalances?
2. What are the costs to address the projected future imbalances through local augmentation projects?
3. What is the water demand and projected imbalance for each Planning Area?
4. Is it possible to prioritize each Planning Area’s water augmentation options by cost effectiveness and the Area’s ability to pay?

ADWR staff worked to answer these questions and Martin Stiles presented the results of these efforts (See February 16th, 2017 Finance Committee meeting presentation for more information).

In response to question No. 1 and No. 3, a map was presented, illustrating the Planning Areas that are projected to reach a water demand and supply imbalance by 2035. This same map included information developed to address the ability to pay portion of question No. 4. Question No. 2 was answered indirectly, by pooling the water, sewer, and capital projects budgets for each Planning Area. This created a theoretical budget for each Planning Area that may be available to pay for water augmentation projects.

The Committee asked staff to include the Active Management Areas in the next version of the analysis. They also requested that the Municipal and Industrial (M&I) demand sectors be combined and that the
analysis be completed for the M&I demand and for the agriculture demand separately. These items will be completed and presented at the next meeting.

**Presentation on Other States’ Funding for Water Augmentation Projects**

The purpose of this presentation was to provide information regarding solutions being considered by other states to mitigate drought and future demand and supply imbalances. The presentation provided a simple overview of water project financing systems in three states facing water shortages.

In Florida, the state legislature divided the state into five water management districts to provide local-level water regulation and financing strategies through bonds and *ad valorem* taxes.

In Texas, the state government created numerous groundwater conservation districts. These water management units are much smaller than those in Florida, and often only cover the area of a county. The groundwater conservation districts have the authority to create a sales tax and receive state general funds to pay for local water augmentation projects.

Finally, California passed the Proposition 1 in 2014, allowing more than seven billion dollars to be spent on water augmentation projects across the state. The majority of these projects focused on conservation and reuse, but some funding was directed toward the completion of desalination projects.

**Next Meeting**

The next GWAC Finance Committee meeting is being scheduled. Once announced, it will be held at ADWR, 1110 West Washington St., Suite 310, Phoenix, AZ 85007.