

**Metropolitan Domestic Water Improvement District  
Board of Directors Meeting**

**February 10, 2014**

**Discussion and Direction for Legislative Issues 2014**

**Report**

The Arizona State Legislature has been in session for one month. Staff has been monitoring to see what water and special districts related legislation is introduced. At this time, there is no major legislation directly impacting the District.

The following are the primary issues that staff is following for the 2013 session.

*Arizona Water Banking Authority* – HB 2326 would allow the Arizona Water Banking Authority (AWBA) to purchase long-term storage credits in order to meet current and long term obligations. According to the AWBA, the authority lacks adequate priority in the allocation of Colorado River water to meet its obligations, particularly regarding M&I firming. Obtaining storage credits will provide the AWBA with additional access to water resources. The Central Arizona Project is seeking a technical amendment to the legislation to clarify funding and coordination of acquiring long-term storage credits.

*Financing of Special Districts* – HB 2386 would put limitations on public bonds being issued by any entity that is not governed by an elected governing body, including public bonds issued by a special taxing district. It also means that special taxing districts would be required to have voter authorization for the assessment of secondary property taxes, which they are currently not required to do. Also, public bonds issued by a special taxing district established after 2014 would have to be included in the calculation of the aggregate indebtedness of the County, City, or Town that includes any portion of the special taxing district. Staff is still researching the full implication of this bill for a domestic water improvement district. CAP and irrigation districts are working on an amendment so that they are excluded from HB 2386. Staff has talked with Stuart Goodman, SAWUA's lobbyist, to explore the possibility of having domestic water improvement districts also excluded.

*Groundwater Extinguishment Credits* – SB 1166 would prohibit ADWR from adopting or implementing any administrative rule in the Pinal AMA that reduces the amount or quality of credits granted by the Department for the extinguishment of irrigation grandfathered rights to an amount that is less than the full amount of the irrigation grandfathered right held by the owner of the right. There has been some effort to have this legislation apply to the other AMAs. This legislation is in response to ADWR's new assured water supply rules for the Pinal AMA that gradually reduce the amount of

groundwater credits given for the retirement of farmland in the Pinal AMA. However, the legislation would undermine the new assured water supply rules for Pinal AMA. Eliminating the steady decrease in groundwater credits may increase immediate economic yields for those farmers who wish to sell their land for development in the near term, but it harms those who wish to continue farming and reduces the ability to develop farmland in the future, as groundwater is depleted by all the water users (not just farmers).

*Water and Energy Improvement Districts* – HB 2206 would allow the governing body of a municipality to provide the use of energy or water efficient system/devices by allowing the establishment of a program for public improvements involving energy or water. Representative Ethan Orr introduced this legislation and indications are that it will not move. Staff has not been able to determine what issue this legislation was trying to address.

*Water Supply Development Revolving Fund* - Last year, legislation was introduced to establish regional water augmentation authorities, consistent with the recommendations of the Water Resources Development Commission (WRDC). The WRDC's supplemental report provided a recommendation to form Regional Water Augmentation Authorities in an effort to assist local communities in developing future water supplies and water supply infrastructure to meet future demands. HB 2338 became controversial when Agricultural interests claimed the legislation would take away their water. Before the current legislative session, it had been indicated that the same legislation for regional water augmentation authorities would be reintroduced; however, Speaker Tobin has stated that it will not be. One issue that arose from last year's discussion was the need to fund the Water Supply Development Revolving Fund that had been created a few years ago by the Legislature to be managed by WIFA but having no funds appropriated. Legislation was introduced this year, HB 2523, which would have \$30 million from the general fund placed into the Water Supply Development Revolving Fund. This fund was originally envisioned to be used by rural Arizona communities that have water resource issues. Like WIFA's other funds, loans would be issued using the \$30 million to start the revolving fund.

A few bills, SB 1267, SB 1268, and SB 1292, have a focus upon the State monitoring activities on federal land that impact natural resources. The emphasis is particularly geared towards forest management.

Attached is the most recent legislative report from SAWUA, which covers other legislation that has been introduced.

### **Recommendation**

It is recommended that the District Board of Directors discuss with staff any questions or issues regarding the new legislative session.

Staff recommends that the District take the following positions:

Seek an amendment to HB 2386 to exclude domestic water improvement district.

Support HB2326 to allow the Arizona Water Banking Authority to purchase long-term storage credits.

Support HB2523 to fund \$30 million into the Water Supply Development Revolving Fund.

**Suggested Motion**

I move to approve that the District support HB 2326 and HB 2523, and seek an amendment to HB 2386.

Respectfully submitted,

Joseph Olsen, P.E.  
General Manager