

## Water Development Fund

### Preliminary Proposal for Discussion

*(Changes from the November 20, 2006 meeting are show in italics)*

1. An Arizona ~~Rural~~ Water Development Fund (Development Fund) shall be established and administered by Water Infrastructure Finance Authority. The Development Fund would be separate and distinct from the existing WIFA funding sources (i.e. Clean Water Revolving Fund, Drinking Water Revolving Fund and Technical Assistance Fund).
2. *A committee, entitled the Arizona Water Development Fund Committee, will be created by statute. The duties of the Committee will include:*
  - a. *Review and approve for submission to the GRRC all proposed rules for the administration of the Development Fund.*
  - b. *Review and approve for submission the annual administrative budget.*
  - c. *Review and approve applications for Development Fund loans or grants those projects that meet the criteria and priority valuation for the program.*
  - d. *Transmit approved applications to the WIFA Board for final approval.*
3. ~~The WIFA Board would be modified~~ *Water Development Fund Committee for the administration of the Development Fund shall be appointed by the Governor and include representatives from the following categories: as follows (italics):*
  - a. *The director of water resources, or the director's representative, who serves as chairman for the Water Resources Development Fund Committee.*
  - b. *The director of environmental quality, or the director's representative.*
  - c. *The chairman of the Arizona corporation commission or the chairman's representative.*
  - d. *The director of the department of commerce or the director's representative.*
  - e. *The state treasurer or the treasurer's representative.*
  - f. *One member appointed by the governor to represent municipalities with populations of fifty thousand persons or more according to the most recent United States decennial census.*
  - g. *One member appointed by the governor to represent municipalities with populations of less than fifty thousand persons from a county with a population of less than five hundred thousand persons according to the*

*most recent United States decennial census.*

- h. One member appointed by the governor to represent counties with populations of less than five hundred thousand persons or more according to the most recent United States decennial census.*
  - i. One member appointed by the governor to represent counties with populations of one million persons or more according to the most recent United States decennial census.*
  - j. One member appointed by the governor to represent cities greater than one hundred thousand persons in counties with populations greater than one million persons.*
  - k. One member appointed by the governor from a public water system that serves five hundred persons or more.*
  - l. One member appointed by the governor from a public water system that serves fewer than five hundred persons.*
  - m. One member appointed by the governor to represent Indian tribes.*
4. The department of environmental quality shall provide clerical support and office and meeting space to the board.
  5. The fund should be primarily a revolving loan fund. Grants of limited size may be offered in certain cases. The criteria for issuing a grant will be set by statute and rule.
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6. *To be eligible for a Water Development Fund loan or grant, the county or the local platting authority must adopt regulations requiring the determination of water supply adequacy as a condition for subdivision approval.*
  7. All municipal providers, private water companies, domestic water improvement district, irrigation districts that supply domestic water, and pilot districts are eligible to apply for a loan or a grant.
  8. A Priority List based on ranking criteria would be used to determine the distribution of funds. The ranking criteria shall *be defined by rule and* include consideration of:
    - a. Legal capability – ability to enter into long-term financial arrangements.
    - b. Financial capability – demonstration of revenue sources to pay for loans.
    - c. Technical capability – ability to construct, operate and maintain project

- d. Managerial and institutional capability – ability to manage the financial, institutional and administrative functions of the project.
  - e. Environmental capability – ability to meet NEPA and ADEQ requirements.
  - f. Permits and other regulatory capabilities – Must be in process or completed.
  - g. Priority Value Determination – a ranking process shall be determined by rule that includes consideration of:
    - i. Existing Conditions - including, but not limited to, the relative need to obtain water for existing and near-term water demands, long-term water supply conditions, mitigation of impacts on vested water rights, existing conservation and water management programs and length of time on the priority list.
    - ii. Project benefits – including, but not limited to, conservation benefits, adequacy water requirements for growth, renewable or augmented water supplies to provide sustainable water resources for health, welfare, environment and the economy, regional project benefits.
  - h. Financial Ability Needs Assessment – a ranking process shall be determined by rule *to ensure that the Development Fund is used for projects that demonstrate a need for funding assistance from the State and shall include consideration of:*
    - i. Need for financing assistance – higher ranking based on need.
    - ii. Comparison of water use rates, fees and other qualifying charges to median household income – higher relative rates and fees increases ranking.
    - iii. Cost effectiveness of proposed project.
  - i. Readiness to proceed – an applicant may be bypassed in the priority list if it is not ready to proceed.
9. Grants for technical assistance and planning may be granted under the same criteria as the WIFA Board now grants technical assistance funding. Criteria for ranking the applicants would be established by rule based on need and willingness to cost share. The proposed project technical assistance should be restricted to *planning for* assisting the system to achieve technical capability, managerial and institutional capability, or financial capability. The proposed project technical planning assistance to facilitate the design, construction, acquisition, improvement, or contracting for water supply projects.