



Blue Ribbon Panel on Water Sustainability Economic Funding Working Group

Meeting Notes June 21, 2010

- I Chair Snider called the meeting to order at 1:00 PM.
Introductions (9 present in person, 2 telephonically) Attendance list attached.
- II Discussion on matrix development. Pat Eisenberg and Tom Arnold passed out a suggested matrix. The group discussed various aspects related to the matrix as they filled it out for the category of a reclaimed water delivery for a small, private, sewerred company. Major discussion points focused on:
 - a Purpose of matrix:
 - For other Working Groups or practitioners to use.
 - To help identify best practices and opportunities for smaller new communities with growth potential. Small rural utilities tend to face obstacles to financing, either in lack of staff or technical expertise.
 - b Funding options:
 - How does an entity come up with capital funding and how do you pay it back, with pros and cons of different funding options discussed.
 - Hook-up fees will not be reliable if growth slows down.
 - General obligation bonds can spread the debt burden to people other than just the users.
 - An environmental fee can be used to generate funds and then become self funding.
 - Ad valorem tax widens the revenue base and can be used to subsidize smaller entities.
 - California has a Water Master concept where water basins are designated and have goals similar to Arizona's safe yield. Water use over the safe yield has to be replenished. Water Master has authority to impose taxes on land (similar to an Arizona improvement district).
 - Private entities tend to use fees to come up with capital, and rates are used for operations and maintenance.
 - Private placement bond is where a company sells bonds privately. The company needs a revenue base to support long-term bonds (similar to a mortgage on the property). Requires ACC approval.
 - c Categories of utilities
 - Large entities have likely already established reclaimed water systems.
 - Small entities probably should not consider reclaimed water as economically feasible, unless they have circumstances of a large customer close by (such as a golf course in a planned community). Small water utilities without sewer will be too

spread out to promote growth (can't have density without sewers or sewers without density).

- Ideal category of the entity is a small, sewer system faced with growth and an opportunity to expand into new technologies.
- Still need to keep in mind funding for other Working Groups recommendations that are not tangible projects, such as continued or increased public education.

d Obstacles or Recommendations:

- Small rural utilities tend to face obstacles to financing, either in lack of staff or technical expertise. Can the state approve or provide a technical assistance program that includes financing?
- Private wastewater provider needs certainty that they can recover costs on a reclaimed water delivery system or other water conservation measure in their rates. Rate approval typically comes after the investment is made and the benefit to ratepayers is proven. The used and useful concept means the ACC must find that the improvement has been constructed and is useful for the users. But this is risky for private developer to do this prospectively.
- Can ACC allow costs in advance because the project or investment will be a benefit to the users (similar to funding solar generation projects where a prospective fund is established with a special fee)? ACC could allow environmental fee to fund grey water or rain water.
- State stimulus package as an incentive program may be a concept for some of these options.
- A regional reclaimed water district or special purpose district is a concept that might provide a participating utility access to allow all types of financing.
- Joint Action Agency (Joint powers agency) is a tool that has been established in Arizona for power. Would we have to ask Legislature to allow it for water?

e Instructions/homework on matrix for the Work Group:

- Start filling out the matrix for any category you have information/knowledge on
- Consider explanations for your response. While a funding option may be available, there may be obstacles: what are those obstacles? what are recommendations to overcome those obstacles?
- Any suggestions as to additional funding options?
- Keep ideas on matrix. The notice e-mailed out on the future meeting will provide instructions on what to do with your ideas.

III Next meeting: TBD either late July or early August, following the Blue Ribbon Panel meeting on July 9th

IV Adjourn