

Section 3: Funding, Purpose & Location of Credits

The AWBA has accrued a total of 4.28 million acre-feet of LTSCs through 2019. These LTSCs include 3.67 million acre-feet for Arizona's needs and over 613,000 for interstate purposes stored on behalf of the Southern Nevada Water Authority (SNWA).

The recovery of these LTSCs will occur based on several factors: the funding sources used to accrue the LTSCs, the statutory purpose for distributing the LTSCs, and the location of both the LTSCs and entities that will be recovering the LTSCs.

Funding Sources

As discussed in the 2014 Plan, the AWBA uses four main revenue sources to meet its objectives: an ad valorem water storage property tax levied and collected by CAWCD, groundwater withdrawal fees collected by ADWR in the Phoenix, Pinal and Tucson AMAs, general fund appropriations, and proceeds of interstate banking. CAWCD's authority to levy the water storage tax within its three-county service area has since been extended through 2030. The tax may be levied at a rate of up to four cents per \$100 of assessed property value through tax year 2024 and up to three cents for the remainder of the term.

The availability of each of these funding sources continues to vary annually. Additionally, recent statutory changes have limited the AWBA's access to the withdrawal fees collected in the Pinal AMA. Withdrawal fees levied in the Pinal AMA during calendar years 2020 through 2026 will not be collected for AWBA purposes and will instead be distributed by ADWR to qualified Pinal irrigation districts for groundwater and efficiency projects as part of the LBDCP Implementation Plan.¹ Administratively, withdrawal fees levied during a particular calendar year are collected the following year. Therefore, Pinal AMA withdrawal fees will not be available to the AWBA from calendar years 2021 through 2027.

¹ Amendment to § 45-611 under Senate Bill 1227 - Colorado River Drought Contingency Amendments

Table 1 identifies the amount of LTSCs accrued, through storage or acquisition, by location and the funding source that was used.

Table 1 AWBA LTS Credit Balances through 2019, by AMA and Funding Source (AF)¹

Funding Source	Phoenix AMA	Pinal AMA	Tucson AMA	Total
Water Storage Tax	1,519,147	223,571	485,028	2,227,745
Withdrawal Fees	339,724	434,530	110,182	884,436
General Fund	42,316	306,968	54,546	403,830
Other Intrastate:				
Indian Firming Appropriation	-	-	28,481	28,481
Shortage Reparation ²	20,642	60,507	28,340	109,489
GSF Operator Full Cost Share ³	-	14,125	-	14,125
Intrastate TOTAL	1,921,828	1,039,701	706,577	3,668,106
Interstate - Nevada	60,021	440,241	113,584	613,846
TOTAL²	1,981,849	1,479,942	820,161	4,281,952

¹ Totals may not sum due to rounding.

² \$8 million in funds made available by SNWA pursuant to the Arizona-Nevada Shortage-Sharing Agreement executed in 2007.

³ GSF operators paid AWBA's full water delivery cost because AWBA funding resources were fully subscribed and the water was needed to avoid crop losses.

Statutory Purposes

Overall, the purpose for which AWBA LTSCs can be distributed has not changed. Table 2 identifies allowable uses for LTSCs accrued with various funding sources. In 2019, in addition to its ability to exchange LTSCs accrued with general fund appropriations, the AWBA was given legislative authority¹ to exchange its water management (withdrawal fee) LTSCs in order to carry out the LTS credit exchange agreement² identified under the LBDCP Implementation Plan. Additionally, LTSCs received by the AWBA under the exchange may be used for the benefit of any AMA when they are needed.

The LTS credit exchange agreement assists in facilitating water storage at groundwater savings facilities (GSFs) located in the Pinal AMA to provide partial wet water mitigation during Tier 1 and Tier 2 shortages that might occur through 2022. By exchanging equal volumes of AWBA LTSCs in the Phoenix and Tucson AMAs for LTSCs in the Pinal AMA, storing entities are given the ability to recover and use the water in the AMA where they are located. The AWBA's authority to exchange its withdrawal fee LTSCs for this purpose expires Dec. 31, 2026. Therefore, all exchanges must be completed by this date.

¹ Amendment to § 45-611 under Senate Bill 1227 - Colorado River Drought Contingency Amendments

² Lower Basin Drought Contingency Plan ("LBDCP") Implementation Plan: Agreement to Exchange Long-Term Storage Credits between AWBA and the City of Avondale; City of Chandler; City of Goodyear; City of Peoria; City of Phoenix; City of Scottsdale; City of Tucson; Freeport Minerals Corporation; and EPCOR Water Arizona Inc.

Table 2. Summary of Intrastate Funding Sources and Allowable Use

FUNDING SOURCE	Firming M&I CAP	Firming On-River M&I (P-4)	Firming Indian Settlements (NIA)	Fulfilling Water Management Objectives
Water Storage Tax	X			
Groundwater Withdrawal Fees	X		X	X
General Fund	X	X	X	X
Shortage Reparations	X	X	X	X

Location

The AWBA has stored water at two dozen recharge facilities located in the Phoenix, Pinal, and Tucson AMAs. The AWBA has also supplemented storage through LTS credit acquisitions due to the recent declines in excess CAP water availability. Table 3 identifies the number of LTSCs accrued by individual facility.

By statute, recovery must occur within the AMA where the original storage took place, and there are often advantages for recovery to take place in the vicinity of the storage facilities both from an operational and a water management perspective, a view that has been encouraged by RPAG members and stakeholders. Location of the LTSCs is therefore a key consideration in recovery planning.

The AWBA has accrued 3.67 million acre-feet of intrastate LTSCs through 2019. Of these, over 1.92 million acre-feet of LTSCs are in the Phoenix AMA, over 1.04 million acre-feet are in the Pinal AMA, and over 700,000 acre-feet are in the Tucson AMA. The AWBA has also accrued over 613,000 acre-feet of LTSCs on behalf of SNWA with more than two-thirds of these LTSCs accrued in the Pinal AMA.

As discussed above, the AWBA has agreed to exchange up to 43,225 acre-feet of LTSCs per year in 2020 through 2022 under Tier 1 and 2a shortages, in support of the LBDP Implementation Plan. A Tier Zero condition has been declared in 2020, therefore no exchange shall occur. The maximum exchange possibility is 86,450 acre-feet with up to 11,400 acre-feet in the Tucson AMA.

Table 3 AWBA LTSCs through 2019 by Facility

Recharge Locations		AWBA LTSCs Through 2019		
PHOENIX AMA		Intrastate	Interstate	Total
USF	GRUSP	412,592	-	412,592
	AGUA FRIA	120,715	2,242	122,957
	HASSAYAMPA	1,276		1,276
	HIEROGLYPHIC MTNS	105,885	-	105,885
	TONOPAH DESERT	429,430	51,009	480,439
	SUPERSTITION MTNS	36,558	-	36,558
	<i>Sub Total</i>	<i>1,106,456</i>	<i>53,251</i>	<i>1,159,707</i>
GSF	CHANDLER HGTS CID	4,517	-	4,517
	MWD	47,916	-	47,916
	NEW MAGMA	353,519	2,850	356,369
	QUEEN CREEK	118,425	3,449	121,874
	SRP	84,788	-	84,788
	RWCD	114,456	-	114,456
	TONOPAH ID	3,438	471	3,909
	GRIIDD-PHX	88,313		88,313
	<i>Sub Total</i>	<i>815,372</i>	<i>6,770</i>	<i>822,142</i>
Total LTSCs	1,921,828	60,021	1,981,849	
PINAL AMA				
GSF	CAIDD	234,488	117,514	352,002
	HOHOKAM	395,533	71,427	466,960
	MSIDD	392,602	251,300	643,902
	GRIIDD-Pinal	17,077		17,077
	Total LTSCs	1,039,700	440,241	1,479,941
TUCSON AMA				
USF	AVRA VALLEY	62,290	1,315	63,606
	CAVSARP	90,444	4,717	95,161
	PIMA MINE RD	102,326	31,028	133,354
	LOWER SANTA CRUZ	257,403	73,930	331,334
	SAVSARP	151,856	-	151,856
	<i>Sub Total</i>	<i>664,319</i>	<i>110,992</i>	<i>775,311</i>
GSF	ASARCO (45-841.01 credits)	6,766		6,766
	CMID	17,479	1,425	18,904
	KAI FARMS (Red Rock)	14,948	1,168	16,116
	BKW-FARMS	3,066	-	3,066
	<i>Sub Total</i>	<i>42,259</i>	<i>2,593</i>	<i>44,851</i>
Total LTSCs	706,578	113,584	820,162	
Total		3,668,106	613,846	4,281,952

An important distinction to note is that AWBA storage activity is accounted for at the level of individual recharge facility, while the financial accounting is tracked by funding source at the AMA (and County) level. As a consequence, LTSCs earned at an individual facility are not specifically differentiated by funding source. With the exception of interstate storage and certain LTSCs that have been dedicated for Indian firming, it is only when recovery takes place that the storage facility and funding source accounting is reconciled.

Of the nearly 775,000 acre-feet of withdrawal fee LTSCs accrued in the Phoenix and Pinal AMAs, 105,390 acre-feet will not need to be recovered. They were accrued at the Gila River Indian Irrigation and Drainage District GSF located on Community lands. Under the AWBA's 2015 intergovernmental agreement (IGA) with the Community¹, these LTSCs will be extinguished by the AWBA and accepted by the Community as water delivered to meet an equivalent portion of the State's firming obligation for a given shortage year.

Similarly, the AWBA developed 44,000 acre-feet of "Firming Credits" on Community lands through payment for water delivered to the Community during non-shortage years; an accepted firming method under the 2015 IGA further described in a separate IGA.² As part of the LBDCP Implementation Plan, the AWBA also plans to fund the creation of 50,000 acre-feet of Intentionally Created Surplus (ICS) by the Community in Lake Mead.³ The ICS that is created results in 45,000 acre-feet of ICS credits due to a one-time ten percent reduction for system and evaporation losses. These ICS credits ("ICS Firming Credits") will be used to firm supplies for the Community after 2026. These firming methods do not require recovery, near-term recovery capacity needs are effectively reduced.

¹ IGA between the AWBA and the Gila River Indian Community, executed June 16, 2015

² IGA between the AWBA and the Gila River Indian Community for the Development of Firming Credits, executed June 30, 2016

³ IGA between the AWBA and the Gila River Indian Community for the Development of ICS Firming Credits executed May 20, 2019.