

ADWR Funding Strategy

For FY2010 and Beyond

Funding Options Concepts

- December 4th stakeholder meeting, presented 3 funding options:
 - Status Quo: do nothing, continue to reduce staffing to what can be supported by declining General Fund appropriations;
 - Supplemental Funding: increase fees for service to provide full cost recovery for permitting/licensing programs AND assumes a continuing General Fund appropriation for other agency activities;
 - Full Self-Funding: institute a municipal water use assessment statewide that would return approximately \$20 million annually to support agency programs.

Funding Options Concepts

- Solicited stakeholder written comments on the funding options:
 - Received more than 20 letters and comments from municipal, agricultural and industrial sectors.
 - Thank you for your ideas and suggestions!

Funding Options Concepts

- Based on stakeholder comments, 3 broad themes emerged:
 - Funding options need to be Fair and Equitable across all water use sectors;
 - Legal and perception issues clouded some of the proposed funding options that would be burdensome to sort through; and
 - Stakeholders wanted financial certainty in amounts that the Department would charge for services.

Funding Options Concepts

- An additional theme reflected the need for a thorough review of all agency services and reporting to ensure they are necessary and the process is most efficient.

Funding Options Concepts: Modifications in Response to Comments

- ADWR has modified its funding options in these ways:
 - Water Use Assessment would be levied across all sectors: water providers, agricultural and industrial users not served by water providers;
 - Proposed fixed fees for several ADWR permits and services;
 - Proposed Maximum Fees for all hourly-charged permits and services

Funding Options concepts: Modification in Response to Comments

- ADWR plans to eliminate proposed fees related to:
 - the Adjudication Technical Support Fee;
 - The increased groundwater withdrawal fees;
 - Using withdrawal fees currently transferred to the AWBA as bridge funds;
 - Surcharge on sale of Hoover A&B power;

SELF FUNDING SOURCES

WATER ASSESSMENTS

WATER ASSESSMENT

- MUNICIPAL = 3¢ / 1000 gallons
- INDUSTRIAL = 3¢ / 1000 gallons
- AGRICULTURAL = \$5/Irrigated Acre

WATER ASSESSMENT

Municipal Assessment

- MUNICIPAL WATER DELIVERY SYSTEM - An entity that distributes or sells potable water primarily through a pipeline delivery system which is owned by either:
 - A City or Town incorporated or chartered under the Constitution and laws of this State;
 - A private entity which is regulated as a public service corporation by the Arizona Corporation Commission under a Certificate of Public Convenience and Necessity;
 - A Special Taxing District established under Title 48, Chapter 6;
 - An entity which is regulated as a Water Supply System by the Department of Environmental Quality.
- Water delivered to a customer for resale is exempt from the Assessment.

WATER ASSESSMENT

Municipal Assessment

- Paid by Owner/Operator of Municipal Distribution System
- Paid to the Department of Revenue at the same time as paying the Transaction Privilege Tax Under §42-5014
- Deposited into the Water Resources Fund for Use by ADWR

WATER ASSESSMENT

Industrial Assessment

- INDUSTRIAL WATER – Any Water not delivered by a municipal water delivery system and not used to irrigate agricultural irrigated acreage, stock watering or domestic purposes

WATER ASSESSMENT

Industrial Assessment

- Paid by the Owner/Operator of more than 10 acres of land where there is an Industrial Use
- Annual Report submitted to ADWR by Owner/Operator of Industrial Land
 - Number of gallons of industrial water withdrawn, diverted or received during the previous year
 - Include payment of the Assessment for the previous year with the report
- Deposited into the Water Resources Fund for Use by ADWR

WATER ASSESSMENT

Agricultural Assessment

- AGRICULTURAL IRRIGATED ACREAGE - Land Irrigated w/any water during the year
- IRRIGATE – To apply water to more than ten acres of land that has a distribution system common to the irrigated land to produce plants or parts of plants for sale or human consumption, or for use as feed for livestock, range livestock or poultry, as such terms are defined in Section 3-1201

WATER ASSESSMENT

Agricultural Assessment

- Paid by Owner/Operator of Irrigated Acreage
- Annual Report submitted to ADWR by Owner/Operator of Irrigated Acreage
 - Number of Acres irrigated during the previous year
 - Include payment of the Assessment for the previous year with the report
- Deposited into the Water Resources Fund for Use by ADWR

WATER ASSESSMENT

Annual Revenue Estimates

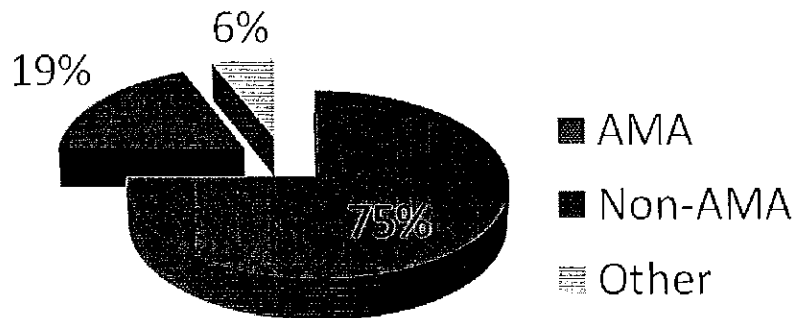
- Distributed Across All Sectors
 - MUNICIPAL = Approx. \$12M
 - INDUSTRIAL = Approx. \$4M
 - AGRICULTURAL = Approx. \$4M

WATER ASSESSMENT

Annual Revenue Estimates

- Balanced between AMA /Non-AMA Expenditures

Agency Expenditures



Collection of Proposed Assessment



SUPPLEMENTAL FUNDING SOURCES

**INCREASED PERMITTING &
WATER MANAGEMENT FEES**

PERMITTING & MANAGEMENT FEES

- Hourly Fees
- Fixed Fees & Maintenance Fees
- Handouts Available

APPLICATIONS SUBJECT TO HOURLY FEES

- Assess an Hourly Rate of \$118/hr of Processing Time
(adjusted annually based on CPI)
 - Tracking of Application Processing
 - Monthly Billing
 - Additional Costs
 - Public Noticing
 - Administrative Hearings
 - Site Inspections
- Rate Application/Process for Complexity
- Implement Maximum Fees
 - Non-Complex Application = \$10,000
 - Complex Application = \$80,000

Fixed Fees & Maintenance Fees

- Report & Plan Review
 - Withdrawal & Use Reports
 - Non-Per Capita & BMP Program Reports
 - Owner-submitted Dam Safety Inspection Reports
- Other
 - AAWS Analysis Maintenance Fee
 - Conveyances of GFRS
 - Statement of Claim
 - Well Drillers Licenses
 - Dam Safety Inspections and Applications

Organizational Assessment

- Review of all agency services and reporting requirements
 - Are they necessary and relevant?
 - Are they effective?
 - Are they efficient?
 - Do they best leverage resources?

PERMITTING PROGRAM REVIEWS

- Current Process Reviews
 - Evaluate Processing Times
 - Evaluate Processes & Tools
- Identify Possible Process Improvements
 - Time Saving Measures
 - Tools to Reduce Processing Times
 - Tools to Streamline Application Submittals

SURFACE WATER PERMITTING

- Current Processing Times
 - Licensing Time-Frames exceeded
 - Application Backlog

SURFACE WATER PERMITTING

- Current Processes and Tools
 - Lack of procedural rules
 - Lack of policies
 - Antiquated registry database
 - Ad hoc technical support
 - Understaffing

SURFACE WATER PERMITTING

- Efficiency Improvement Opportunities
 - Procedural Rules
 - Policy Decisions
 - Registry Modernization
 - Increased Technical Support

SURFACE WATER PERMITTING

- Procedural Rules
 - Clarity for the Applicant
 - Clarity for the Reviewer
 - Increased Completeness of Submittals
 - Constraint on Scope of Review
 - Stop re-inventing the wheel

SURFACE WATER PERMITTING

- Procedural Rules
 - Applications to Appropriate
 - Applications to Sever and Transfer
 - Assignments
 - Change in Use
 - Instream Flow Appropriations Report
 - Public Noticing
 - Objections
 - Issuance of Certificate of Water Right

SURFACE WATER PERMITTING

- Schedule for Promulgating Procedural Rules
 - Obtain Approval from Governor – Feb. 2010
 - Open Docket with SoS – Feb. 2010
 - Notice of Proposed Rulemaking – Mar. 2010
 - Public Hearing – May 2010
 - Notice of Final Rulemaking – Jun. 2010
 - GRRC Approval – Aug. 2010
 - Rules become Effective – Oct. 2010

SURFACE WATER PERMITTING

- Needed Policy Decisions (examples)
 - Non-adjudicated areas verses adjudicated areas for State and Federal issues
 - Conversion of Diversionary to Non-Diversionary Rights
 - Appropriable subflow and wells as points of diversion
 - Beneficial use amounts and public use issues associated with wildlife and recreation
 - Resolution or denials of protests
 - Stockpond capacities versus beneficial uses
 - Sever of transfers of claims

SURFACE WATER PERMITTING

- Surface Water Policy Working Group
 - Starting in February or March 2010
 - 1 or 2 meetings per month
 - Opportunity for stakeholder input on pending policy decisions and proposed procedural rules
 - Structured, targeted discussions
 - If interested in participating, contact Elizabeth Logan
evlogan@azwater.gov or (602) 771-8591

SURFACE WATER PERMITTING

- Registry Database Modernization
 - Capability to populate data fields based on minimal data entry
 - Enhancing the document tracking system
 - Enhancing the querying capabilities Enhancing the database to generate letters and forms using existing data in the database
 - Utilizing database to posting notices on-line

SURFACE WATER PERMITTING

- Improved Technical Support
 - Applications becoming more technical and complex
 - Identify areas of needed technical support
 - Modify processes for seamless incorporation of technical support
 - Better coordination and reliance on AGFD for wildlife and recreation issues

ASSURED & ADEQUATE WATER SUPPLY

Efficiency Review

Goal: “Overall Improved Efficiency (15 percent) of the Assured and Adequate Water Permit Process”

- Define – What is our process?
- Measure – How long does it take?
- Analyze – What needs to be done?
- Improve – What can we do?
- Control – How will improvements be maintained?

ASSURED & ADEQUATE WATER SUPPLY

Efficiency Review

- Approach

1. Detail Existing Process
2. Estimate timeframe to complete a permit (Hydrology, Legal, Water Management, CRM) – begin tracking
3. Determine “Cause and Effect” on Permit Turn Around Times
4. Determine which opportunities to explore
5. Quantify Time Savings (where possible)
6. Presentation to Stakeholders
7. Modify Rules as Needed

ASSURED & ADEQUATE WATER SUPPLY

Efficiency Review

- Limit Incomplete Determinations
- Clearly Communicate Expectations and Stay on track
 - Agreement up front on what is expected
- Streamline Technical Support
 - Improved Hydrologic Guidelines
- On-Line Tools
 - Automated Committed Demand Tool

ASSURED & ADEQUATE WATER SUPPLY

Efficiency Review

- AAWS Efficiency Review Working Group
 - Starting in February 2010
 - Opportunity for stakeholder input on pending policy decisions and proposed efficiency improvements
 - Structured, targeted discussions
 - If interested in participating, contact Doug Dunham
dwdunham@azwater.gov or (602) 771-8590

FUNDING OPTIONS

Proposed Legislation

- **Bill 1- Redirection of Fees to ADWR**
 - Creates Water Resources Fund
 - Diverts all existing fees to Water Resources Fund
- **Bill 2 – Water Assessments**
 - Creates Water Resources Fund
 - Creates Mechanism for Assessing a Water Assessment
 - Directs Assessments to Water Resources Fund
- Includes Exemption from Formal Rule Making

NEXT STEPS

- Stakeholder Working Group to meet and discuss legislation as it progresses through the process;
- Stakeholder Fee Group: anticipate one more stakeholder meeting to finalize fee proposal.

NEXT STEPS

Contacts

- Stakeholder Working Group -
Fred Breedlove febreedlove@azwater.gov or
(602) 771-8429
- Stakeholder Fee Group –
Sandy Fabritz-Whitney
safabritz@azwater.gov or (602) 771-8589
Michael Johnson mjjohnson@azwater.gov or
(602) 771-8659