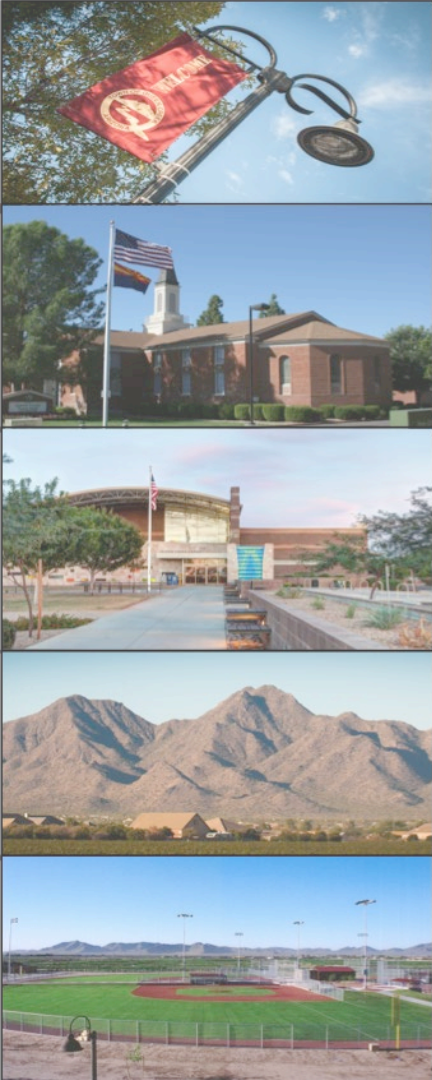




Recommendation to Further Reduce CAGRD Water Replenishment Fees by \$0.6M

Town Council Meeting
September 21, 2022



Purpose of Presentation

- Review Water Resource Strategy
 - Requirements
 - Current Water Supply
- Review Role of Central Arizona Groundwater Replenishment District (CAGRDR)
- Discuss Recommendation to Further Reduce Water Replenishment Fees by \$0.6M
- Identify Outstanding Issues and Next Steps



AZ Water Resource Requirements

- Post 1996 Development Must Have a 100-Year Assured Water Supply
- “Must Put Back the Same Amount of Water We Take Out”
- Groundwater Use Requires Annual Replenishment
- QC Uses CAGRDR to Assist in Meeting Groundwater Replenishment Requirements
- Non-Groundwater Sources Allow for Independence in **2025 (Designated Assured Water Provider)**

QC Current Water Supply

- Physical Availability Determination Update 2021-22
- Identification of Available Groundwater Supplies Through Buildout
- Again – Any Groundwater Use Requires Annual Replenishment
- Implementing Council’s Strategic Initiative, the Town is Proactively Building its Non-Groundwater Supply Portfolio



QC Current Non-Groundwater Sources



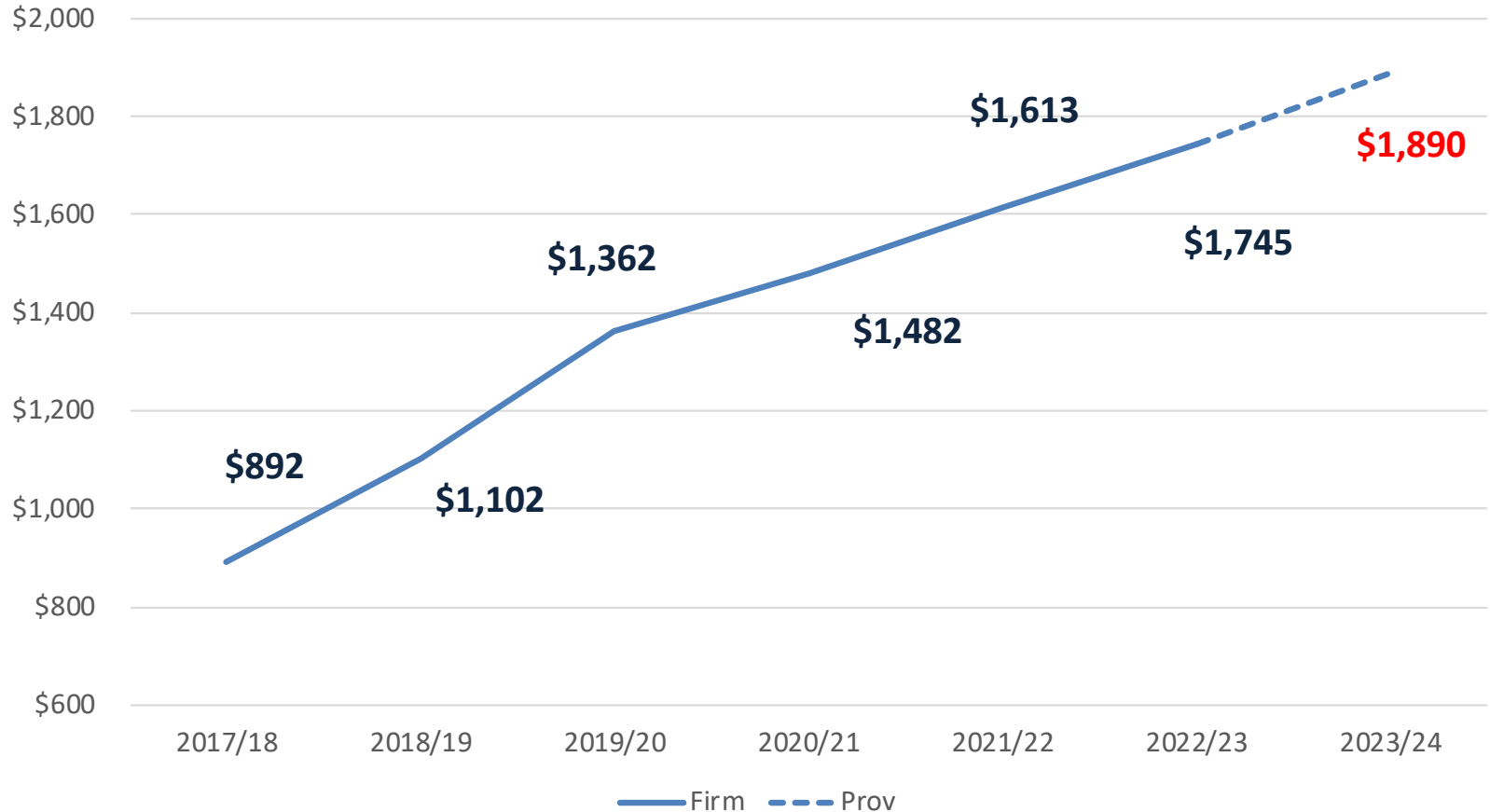
| Source | AF | Value |
|---------------------------|------|-----------------|
| 1. GWECs | 203K | \$155M |
| 2. NIA | ~4K | \$3.2M Annually |
| 3. Effluent | ~3K | \$2.3M Annually |
| 4. Cibola (Pending) | ~2K | \$1.6M Annually |
| 5. Current M&I Allocation | 0.5K | \$380K Annually |

What is CAGRD?

- Mechanism for Landowners/Developers to Meet 100-Year Assured Water Supply
- Membership Transfers the Replenishment Obligation from the Landowner to CAGRD
- CAGRD Obligated to “Find” Water for its Members
- CAGRD Assesses its Members Annually for Prior Year Replenishment Obligation
- One-Time Enrolment/Activation Fees: \$345/\$1,400 Per Unit (\$1,745 Total)
- Projected Future Increases



CAGR HISTORIC PER LOT ENROLMENT / ACTIVATION FEE





What is CAGRD? (Continued)

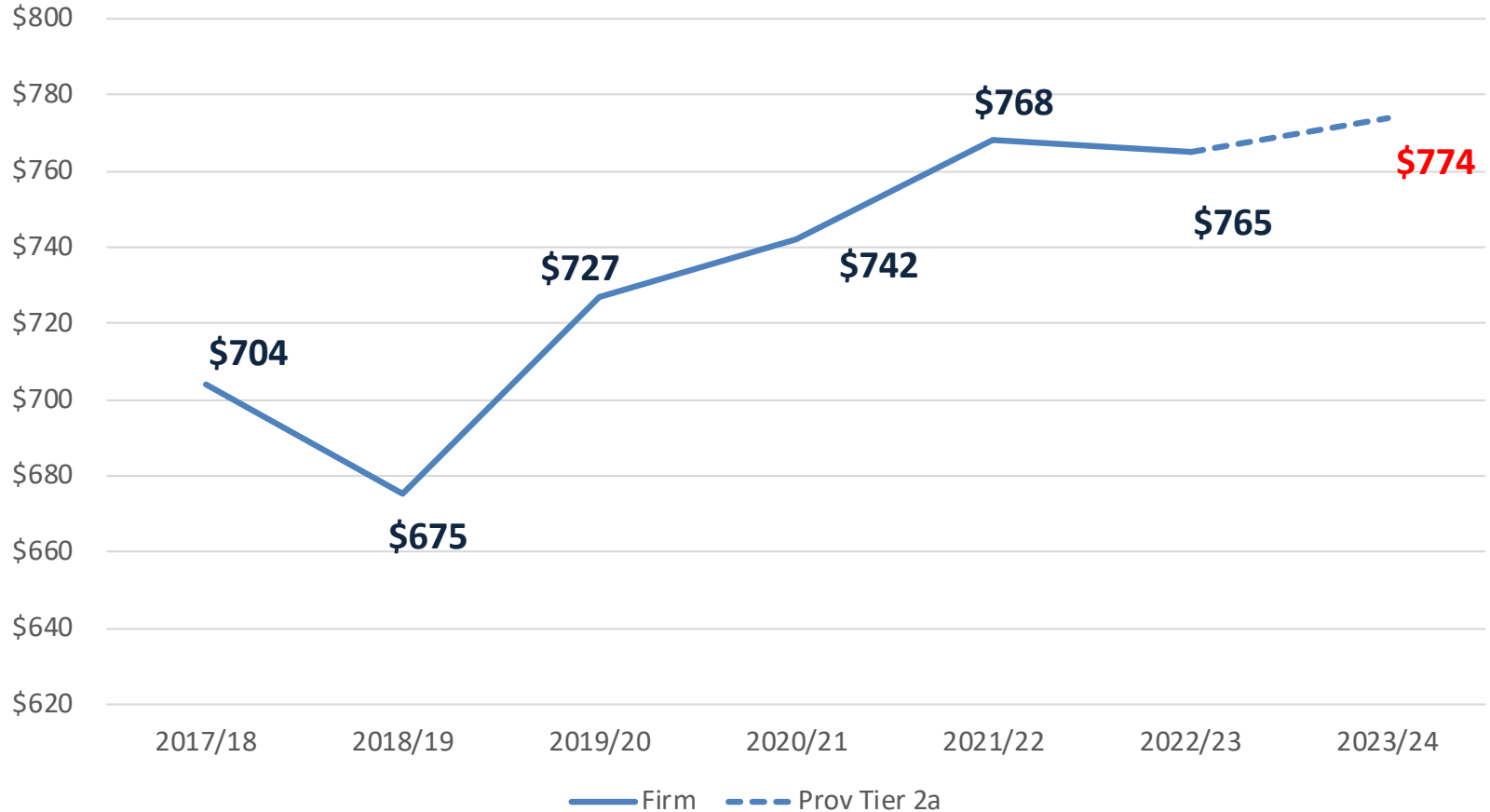
- Each Subdivision, Upon Enrolment Starts with a Groundwater Allowance (GWA)
- GWA Based Upon Historical Groundwater Use
- No New GWA Provided After 01/01/2025
- GWA Can Be Used to Offset Groundwater Replenishment Obligation
 - Pre 2004 – Up to 100%
 - Post 2004 – Up to 33%
- GWA Allocation Set By Provider (QC)



What is CAGRD? (concluded)

- Number of CAGRD Member Accounts Billed: 32K
- Customer Costs Vary Based Upon Prior Year Use
- Components to Customer Cost
 1. Replenishment Costs – Prior Year Groundwater Usage
 2. Less Applied Groundwater Allowance
 3. Less Other Applied Credits / Non-Groundwater Sources
 4. Annual Membership Fee
- Customer Costs Are Assessed Annually on Property Tax Bills

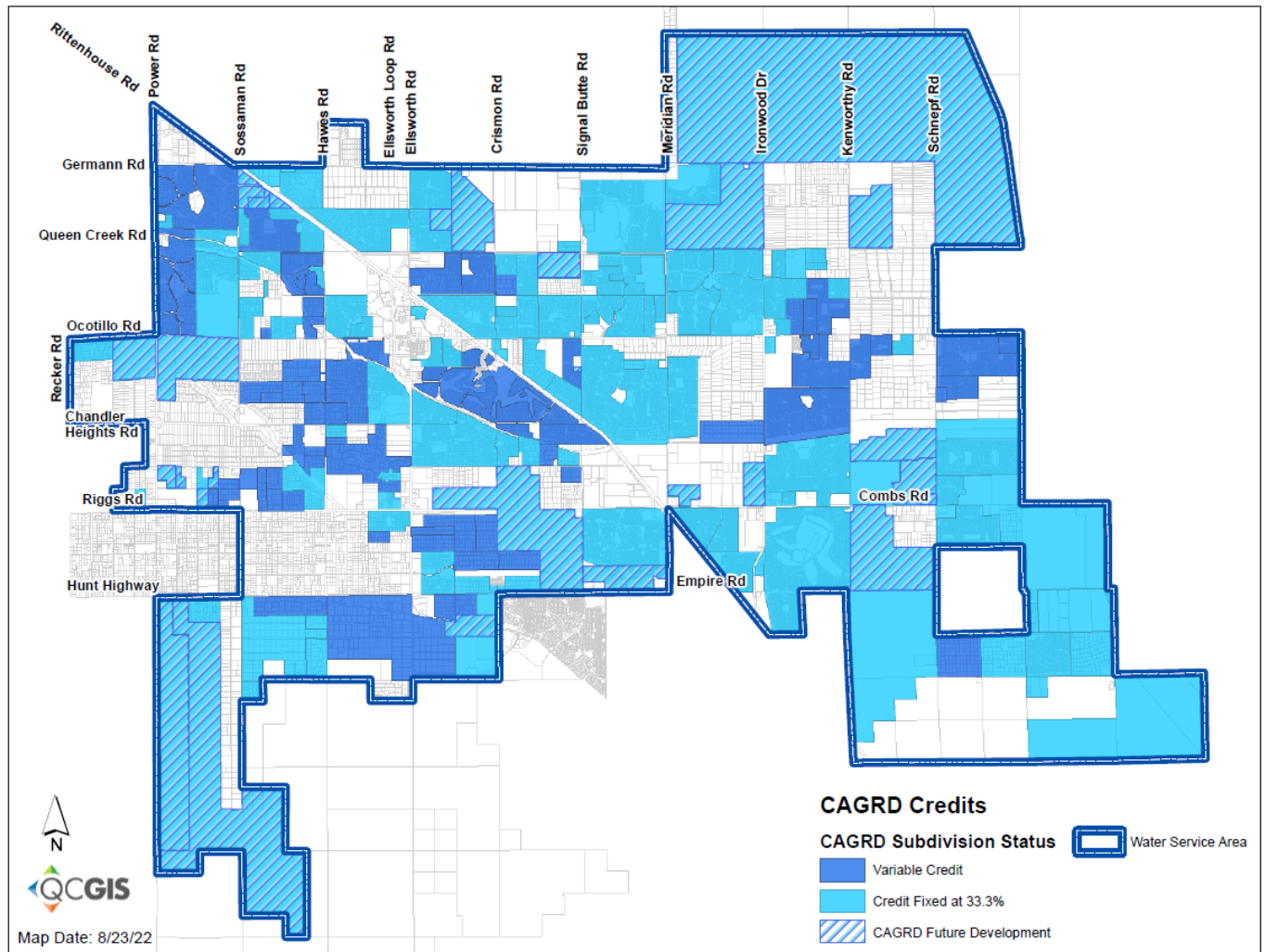
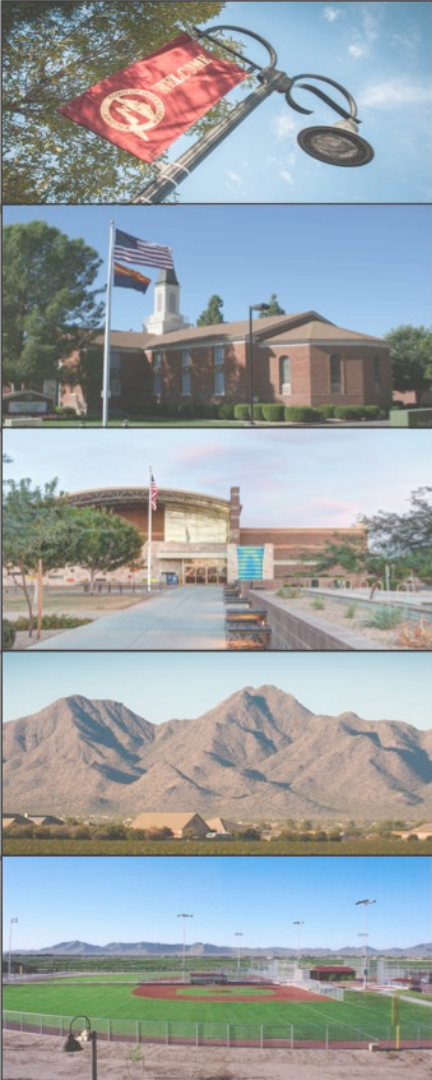
CAGR HISTORIC PER ACRE FOOT ASSESSMENT



CAGRD Rules

- Applies to All Residential Subdivisions
- Options to Meet Replenishment Requirements Vary Based on Development Date
 - Pre-2004 Development (1996-2004):
 - Most Options Available, Including: **GWECs**, Recovered Effluent, Recovered Surface Water, & Stored CAP Water
 - Post 2004 Development:
 - Less Options Available, Including: Recovered Effluent, Recovered Surface Water, & Stored CAP Water
- Applies Both to Potable and Irrigation Water
- Comingled Water Delivery Rules





CAGRD Policy

- Created by Town Council: March, 2018
- **2022-23 Annual Customer Savings: \$8M**
- Identifies Pre-2004 and Post-2004 Account Fee Reduction Strategies
 - Prior 2017: Apply GW Allowance Over 10 Years
 - 2019: Apply GW Allowance Over 5 Years
 - 2020: Apply GW Allowance As Fast As Possible and Initiated Using GWECs
- Account Annual Membership Fee Cannot Be Eliminated and is Paid by Customer (\$30)



Water Supply Management Opportunities

1. HOA Water Conservation Program
 - Water Efficient Landscape Design Standards
 - Pilot Programs (i.e. “Consumption Cap”)
2. HOA Recovered Water Program



2022-23 CAGRD Account Summary

\$8M Annual Savings (62%)

| Account Type | # of Accounts | Gross Charge* | Town Applied GW Allowance | GWECs | Total Reductions | Annual Bill |
|--------------|-------------------|-----------------------|---------------------------|------------------------|------------------------|----------------------|
| Pre-2004 | 12K | \$6.4M | (\$2.2M) | (\$3.8M) | (\$6.0M) | \$0.4M |
| Post-2004 | <u>20K</u> | <u>\$6.5M</u> | <u>(\$2.0M)</u> | <u>N/A</u> | <u>(\$2.0M)</u> | <u>\$4.5M</u> |
| Total | <u>32K</u> | <u>\$12.9M</u> | <u>(\$4.2M)</u> | <u>(\$3.8M)</u> | <u>(\$8.0M)</u> | <u>\$4.9M</u> |

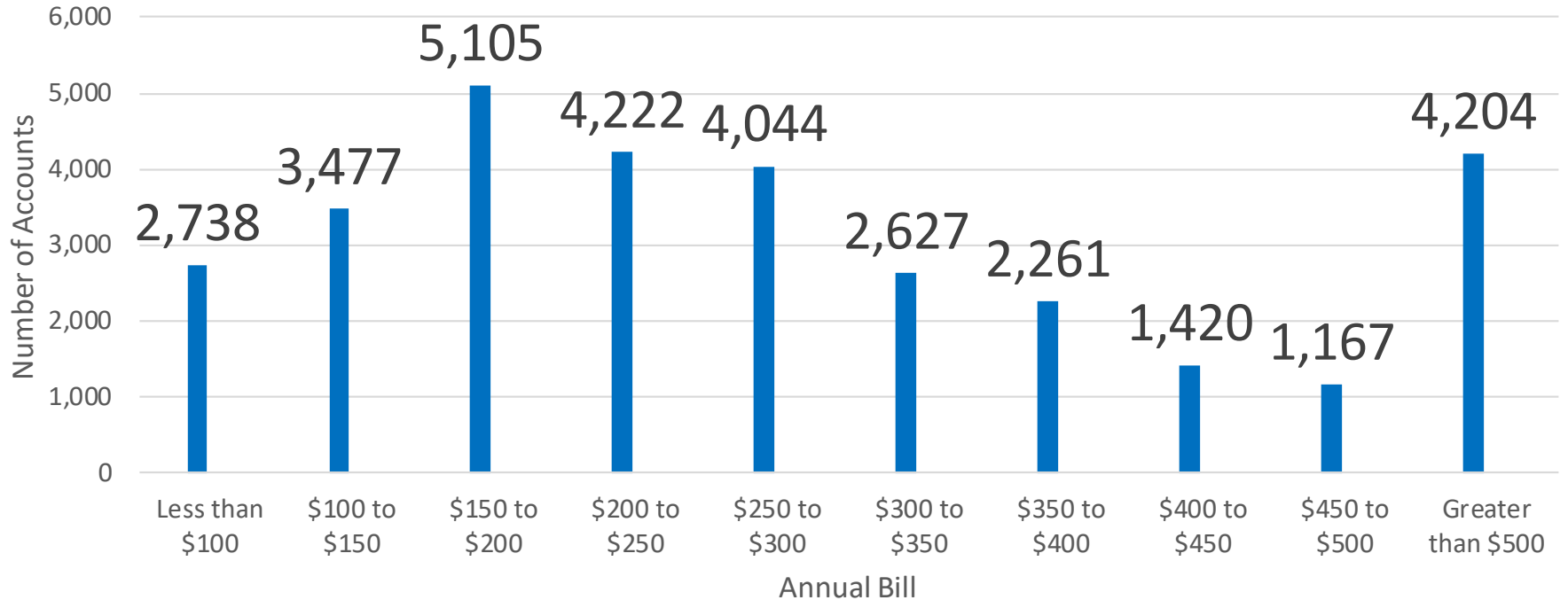
*Gross Charge includes Consumption and Administrative Fees

Example: Cortina Subdivision, Total Water Bill

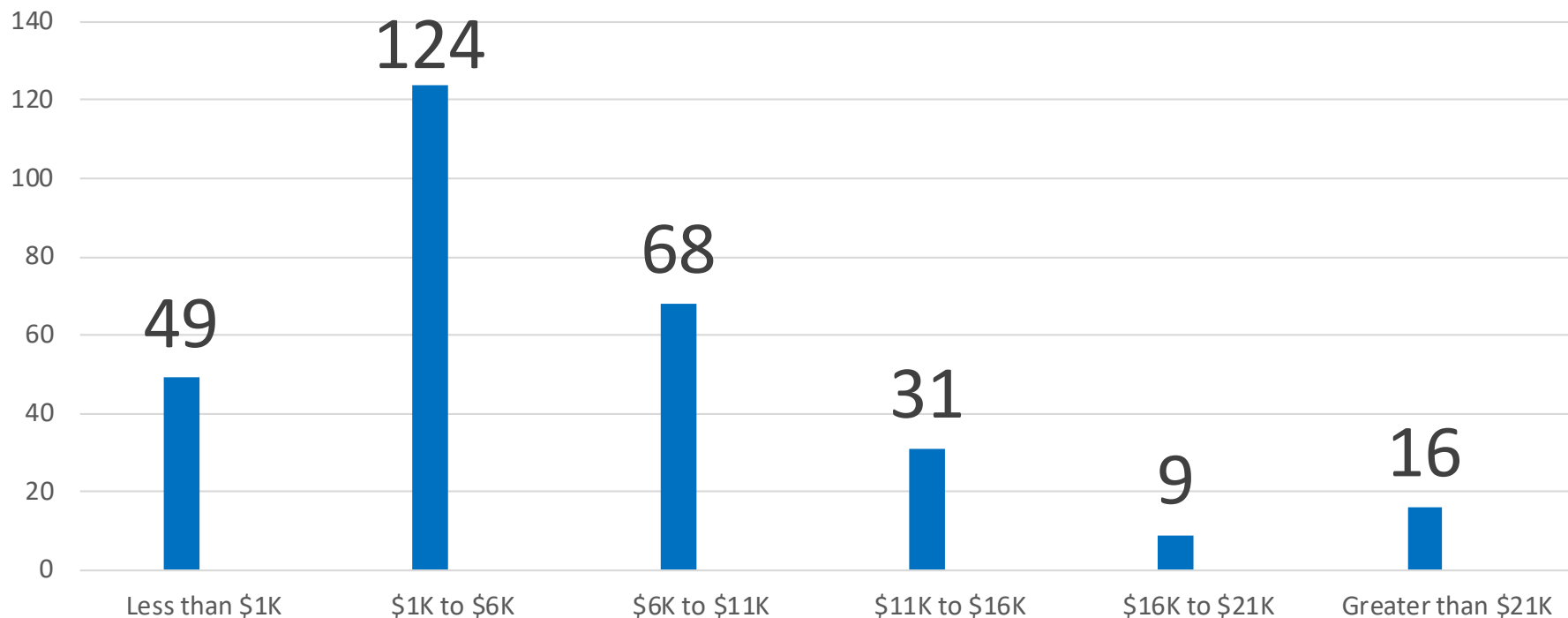
\$591K Savings (58%)

| | Cortina Residential Bills (~1,300 Accounts) | Cortina HOA | Total |
|-------------------------|--|------------------|------------------|
| 1. QC Monthly Bills | \$672,000 | \$196,000 | \$868,000 |
| | | | |
| 2. CAGR Bill | | | |
| Consumption Charges | \$442,000 | \$149,000 | \$591,000 |
| Application of GWECs | (\$442,000) | (\$149,000) | (\$591,000) |
| Administration Fees | <u>\$36,000</u> | <u>\$330</u> | <u>\$36,330</u> |
| CAGR Total | \$36,000 | \$330 | \$36,330 |
| | | | |
| TOTAL Water Bill | \$708,000 | \$196,330 | \$904,330 |

2022-23 CAGRD Bills: Residential Accounts (~31K Accounts)



2022-23 CAGRD Bills: HOAs (297 Accounts)



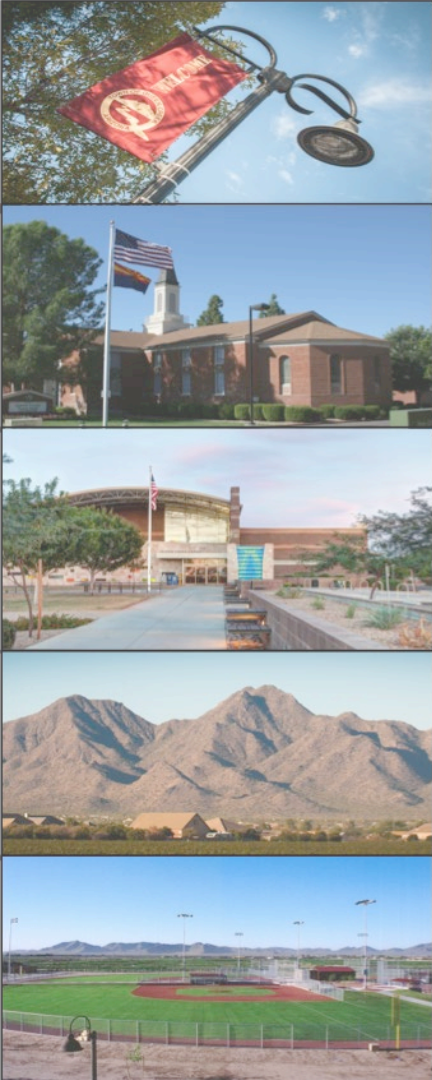
Recommendation: Add NIA Water Allocation as New \$0.6M CAGRD Reduction

\$8.6M Annual Savings (67%)
~\$270 Annual Savings per Account



| Account Type | # of Accounts | Gross Charge* | Town Applied GW Allowance | GWECs | Effect of NIA Allocation | Total Reductions | Annual Bill |
|--------------|---------------|----------------|---------------------------|-----------------|--------------------------|------------------|---------------|
| Pre-2004 | 12K | \$6.4M | (\$2.2M) | (\$3.8M) | | (\$6.0M) | \$0.4M |
| Post-2004 | 20K | \$6.5M | (\$2.0M) | N/A | (\$0.6M) | (\$2.6M) | \$3.9M |
| Total | 32K | \$12.9M | (\$4.2M) | (\$3.8M) | (\$0.6M) | (\$8.6M) | \$4.3M |

*Gross Charge includes Consumption and Administrative Fees



Next Step

October 5th Town Council Meeting

- Approval of the Updated CAGR D Policy Adding the NIA Water Allocation to Reduce CAGR D Costs
 - \$0.6M Annual Reduction
 - Average \$30 Deduction to 20K Accounts

Active Financial Issue

1. Ability to Maintain and Increase Post-2004 Account Bill Reductions
 - Amount of Future NIA Allocation
 - Amount of Future Cibola Allocation





Comments and Questions