



Cibola Water Rights Acquisition and WIFA Financing

Town Council Meeting
September 21, 2022

Purpose of Presentation

1. Review Town's Water Supply and Future Strategy
2. Review Staff Recommendation to Authorize Execution of Three Related Agreements Associated with the Cibola Acquisition (Resolution No. 1495-22)
3. Review Staff Recommendation to Submit Water Infrastructure Finance Authority (WIFA) Application to Finance Acquisition of 2,033 AF of Cibola Water Rights in the Amount of \$27M (Resolution No. 1496-22)

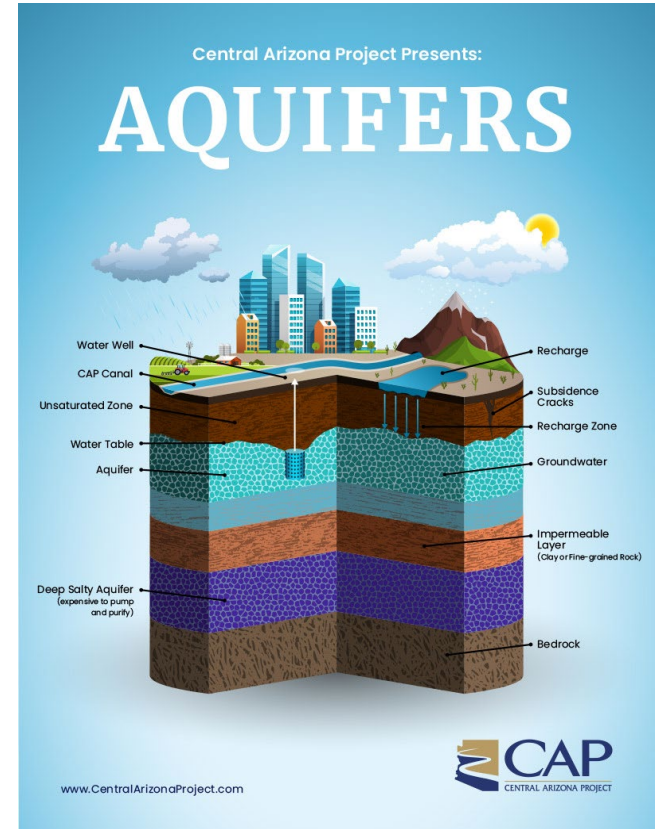




1. Town Water Supply and Future Strategy

Town Current Water Supply

- Primary Town Water Supply is Groundwater
- State Law Requires that Groundwater Use is Replaced
- 1 Gallon Out / 1 Gallon In



Town Current Water Supply

- In 2022, the State Verified that the Town had Ample Groundwater Supplies
- Enough to Meet Need for the Next 100 Years
 - 51,000 Acre Feet a Year
 - 5,100,000 Acre Feet Over 100 Years
 - 1 Acre Foot = Annual Use of 3 New Homes
- Groundwater Use is Replaced Through Customer Membership in the Central Arizona Groundwater Replenishment District (CAGRDR)



Going Forward

- Groundwater Use is Becoming Increasingly Expensive – CAGR Costs Increasing
- Town is Adding Non-Groundwater Sources
 - Groundwater Credits
 - Importing Surface Water – Cibola Transfer
 - Importing Other Water – Harquahala Water
 - Reuse of Treated Wastewater
- Allow Town to Provide a Mix of Groundwater and Non-Groundwater Sources



Goal & Benefits

- Town Goal to be Designated as an Assured Water Provider 2025
- Direct Customer Benefit
 - One Water Bill (No CAGR)
 - Economical for Customers & Long Term Cost Stability
- General Benefits
 - More Effective Water Planning and Management
 - Diversified (Stable) Water Supply (Drought Resistant)
 - Local Control of a Vital Long Term Interest
 - Extend Groundwater Supply 200, 300, 400 Plus Years





2. Review Staff Recommendation to Authorize Execution of Three Related Agreements Associated with the Cibola Acquisition

Agreements Related to the Transfer of Cibola Water



- Three Agreements are Required in Order to Complete the Transfer of Cibola Water to the Town
 1. Agreement Between the Town and the US Bureau of Reclamation Establishing a Subcontract for the Delivery of Colorado River Water to the Town of Queen Creek.
 2. Agreement Regarding the Partial Assignment of Colorado River Water Under Contract with GSC Farm LLC to the Town of Queen Creek.
 3. Agreement Regarding System Use Between the United States Bureau of Reclamation and the Town of Queen Creek.

Agreements Related to the Transfer of Cibola Water

- Resolution No. 1495-22 Authorizes the Vice Mayor, the Town Manager, the Town Clerk, and the Town Attorney to Take all Actions Necessary to Carry out the Final Execution of the Three Contracts in Accordance with their Terms and Intent





**3. Review Staff Recommendation to
Submit WIFA Application to Finance
Acquisition of 2,033 AF of Cibola
Water Rights in the Amount of
\$27M**

WIFA Loan: \$27M



Purpose	Amount
<u>WATER</u>	
Perpetual Water Rights	\$24M
CAP Wheeling Capacity	\$3M
Total	\$27M

Why WIFA for \$27M?

- WIFA Has the Lowest Possible Interest Rate
 - Federal Government Loan Program
 - Estimated Interest Savings Compared to Open Market: \$6M
 - 3.25% WIFA (vs. 4.75% Bank Loan)



Drinking Water WIFA Loan: \$27M

- Estimated Interest Rate: 3.25%
- Term: 30 Years
- Annual Principal and Interest Costs: \$1.5M
- Repayment Pledge: Net, Combined Utility Revenues (Water and Wastewater)
- Repayment Source: Water Rates and Capacity Fees



Remaining Calendar

Item	Date
Town Council WIFA Loan Application Approval	September 21st
WIFA Board Consideration (“New Board”)	October or December
Town Council WIFA Loan Documents Approval	November or January
Close Transaction	November or January
Take Delivery of Water	January 2023

Recommended Motions

1. Move to Approve Resolution No. 1495-22 as presented.
2. Move to Approve Resolution No. 1496-22 as presented.

These resolutions require five affirmative votes to pass with the emergency clause. This is being recommended to accommodate the immediate and timely execution of multi government agreements (Resolution No. 1495-22) and to accommodate the closing date for the loan (Resolution No. 1496-22).

