

ISSUE MAP
**Central Arizona Groundwater
Replenishment District
(CAGRD)**



**In the opinion of the Board members,
regulators, CAP customers, CAGRD
members, CAGRD and CAP staff and other
stakeholders, what issues, opportunities and
challenges will the organization face over the
next five to ten years?**

INTRODUCTION

Over the past eight months the Central Arizona Water Conservation District (CAP) conducted a business planning process to gain understanding of, and long-term direction for the enterprise. On August 3rd the CAP Board approved the initial strategic plan that 1) outlines most of the strategic issues facing the organization, 2) defines long-term policies and decisions that need attention, and 3) creates an action plan that outlines exactly what steps the Board and staff will take to implement the plan.

During the CAP strategic planning process the Board and staff recognized that another important element of the CAP operation was so big, so unique and so critical to Central Arizona's water future, that it should have its own, unique planning process. This element is the Central Arizona Groundwater Replenishment District (CAGRDR). The Board instructed staff to complete the initial draft of the CAP strategic plan, gain policy approval to proceed, conduct a similar process for the CAGRDR, and, upon approval of the CAGRDR strategic plan by the Board, tie the two plans together into a unified vision of the future.

Typically, a strategic planning process would start with a focused discussion, by policy makers, of the organizations general history, current status, mission, vision, values and critical success factors. Since the CAP Board is also the policy board for the CAGRDR, such a focused discussion will occur on August 22nd at the CAP Headquarters Office. In order to prepare for the CAGRDR strategic planning discussions, LL Decker & Associates has conducted interview with Board members, regulators, CAP subcontractors, CAGRDR members, staff and other stakeholders. From list of over 70 potential interview participants, more than 50 interviews were actually conducted and the data from these interviews was assembled into the following Issue Map. The purpose of this report is to provide a starting point for discussions on August 22nd.

BACKGROUND

In 1993, the legislature created a groundwater replenishment authority to be operated by the Central Arizona Water Conservation District (CAP) throughout its three-county service area. The Central Arizona Groundwater Replenishment District (CAGRDR) provides a mechanism for landowners and water providers to demonstrate an assured water supply under the Assured Water Supply Rules which became effective in 1995. In 1999, the legislature expanded CAGRDR's replenishment authorities and responsibilities by passing the Water Sufficiency and Availability Act.

WHAT IS ISSUE MAPPING?

Issue Mapping is a qualitative research method in which selected stakeholders are asked to respond to a series of open-ended questions regarding a defined topic, and by doing so, are encouraged to express their feelings and opinions about that topic. The people included in the Issue Mapping process are selected because they fulfill a specific community or stakeholder profile. The research solicits all positions and perspectives that stakeholders might hold on a given topic, and tries to identify all reasonable options and alternatives.

To be interviewed, the interviewee should be able to speak accurately for their communities and articulate the perspectives that their community holds. They should be able to articulate alternatives for consideration as part of the deliberative policy making process. They do not have to be technical experts in a field to be interviewed, but must have a stake in the outcome of decisions being made.

The Issue Mapping process provides policy makers with lists of possible positions on issues, but not definitive options for action. The information presented in an Issue Map indicates:

- ✓ The existence of stakeholder agreement and disagreement
- ✓ Alternative decisions and possible options for action
- ✓ Where unanimity, consensus and polarity might exist
- ✓ The relative strength of stakeholder feelings and positions

The confidential and interactive nature of the interview process affords both the interviewer and the interviewee the opportunity to clarify and/or expand the discussion, and by doing so, reach a more defined understanding of the topic. In doing so stakeholders are able to voice their opinions in private and without attribution.

Comments are reviewed and organized into thematic groups as the researcher seeks to understand where there is polarity, where there is unanimous agreement, and where there is consensus. A report is then prepared that focuses on agreement, disagreement and polarity. Suggestions and observations for the resolution of polarity form the basis of future policy discussions. Any comments that might jeopardize anonymity or that are unnecessarily caustic are sanitized.

An Issue Map avoids quantitative assessments like polling and “voting” because such methods used during the early policy discovery process are limiting and destructive to deliberation. The Issue Mapping technique is based on the principle that good decisions come through informed, deliberative processes.

QUESTIONS POSED DURING THE INTERVIEWS

The following questions were used to collect information from those interviewed.

- ✓ How familiar are you with the CAGR D and how it operates? Would you like to elaborate?
- ✓ Why do you think it was created?
- ✓ What do you see as the benefits provided by CAGR D?
- ✓ What are some of the negatives?
- ✓ What are the “first order” issues that need to be addressed in a CAGR D strategic plan?
- ✓ How do you feel about CAGR D’s governance?
- ✓ What do you think CAGR D’s role should be regarding management of growth in CAWCD’s three-county service area?
- ✓ Are you familiar with the water supply acquisition plan laid out in CAGR D’s recently approved Plan of Operation? If so, do you have any comments regarding the plan?
- ✓ How should the CAGR D be focusing its resources over the next 10 years? What is the most important thing you think the CAGR D should be doing? Should not be doing?
- ✓ Is there anything else you’d like to add regarding CAGR D strategic planning?

SUMMARY OF ISSUES NEEDING FURTHER DISCUSSION

The following summary identifies the critical issues that need some level of discussion and decision over the next four months in order to confirm the CAGR D’s business direction. Some of these items were defined by those involved in this research as “first order” policy issues that must be decided in advance of more detailed planning. Other issues were seen as benefiting from longer-term, more considered and deliberative discussion.

- ***Should the CAGR D continue to be governed by the CAWCD Board?***
- ***What steps can the CAGR D take to address concerns about future obligations and enrollment?***
- ***What can the CAGR D do to assure that it will have sufficient water supplies to meet its replenishment obligations?***
- ***How can the CAGR D obtain the information that is necessary to make accurate, well crafted decisions about the future?***
- ***What can the CAGR D do to increase aquifer recharge in areas of hydrologic impact, and address concerns regarding replenishment not always occurring where members are pumping excess groundwater?***
- ***What will the CAWCD and CAGR D do to assure all water interests are being considered equally when decisions are made?***

The following pages summarize the results of interviews conducted between July 5th and August 8th, 2006 regarding the CAGR D’s strategic direction. There were

many issues on which substantial agreement was found. Other issues showed general agreement with specific concerns listed as observations or reservations. In some cases the issues were split. Minor disagreements are noted as either “general disagreement” or “substantial disagreement.” If an issue found significant, emotional disagreement among those interviewed, it was termed “polarized” and requires much discussion.

Four appendices are included with this report that represent the actual comments made by participants during the interviews. Please review these materials to gain a flavor for the depth and breadth of the feelings of those being interviewed. ***In some cases, the presumptions and assertions being made by those interviewed may not be factual and/or accurate, however, they are their perceptions so are included in this report.***

In this Issue Map the participants were divided into four categories:

	Profile	Sample Size
Tier 1	CAWCD Board Members	11
Tier 2	Regulators Former regulators	6
Tier 3	CAGRDR members Water users Representatives of water interests	24
Tier Staff	CAWCD Staff members	6

“An Issue Map cannot make a decision for you, but it can give you the depth of understanding on which to initiate discussion.”

As a final note of orientation to the reader, it may be helpful to frame this report using our initial question to those interviewed. It focused on their understanding of why the CAGRDR was created. The reasons given were many and varied, but one comment stood out:

“...when CAGRDR was created, the understanding was this would be for entities that would have difficulty in supplying those themselves, or for cities who didn’t have the tax base yet to secure supplies – they would join CAGRDR initially until they became proficient then de-enroll from CAGRDR. It was meant to be a bridge organization...”

This comment begs the question, “What was the intention of the Arizona Legislature in creating the CAGRDR?” Now a more important question is being posed to the Board: “What will be the role of the CAGRDR in the three-county area in the future?”

Should the CAGR D continue to be governed by the CAWCD Board?

- ✓ *If so, what can the CAWCD Board do to assure that the CAGR D's interests will not be at cross purposes with the interests of other CAP customers?*
- ✓ *If not, then what is the most appropriate structure for the CAGR D's policy-making body?*

Governance – Who has the legitimate authority to decide policy for the CAGR D? The topic of governance solicited a substantial number of comments. There was almost unanimous agreement that a discussion of CAGR D governance must occur as part of this strategic plan in order for the process to be considered successful. Without that conversation a major first-order concern of CAP subcontractors would be ignored.

A common theme or statement of those concerned about governance was, "The current environment breeds mistrust between CAP's M&I customers and the CAGR D. Rules for how the Board will make policy should be identified."

And while there was general agreement that, for a number of reasons, it would make sense to continue the CAWCD Board as the policy board of the CAGR D, this feeling was not universal. Even when those interviewed stated they thought the CAWCD was the proper policy board for the CAGR D, cautionary statements often followed their comments.

Illustrative comments included:

Status Quo	Change
<ul style="list-style-type: none"> ✓ I don't have a problem with the way it is. ✓ No different from a Board of Supervisors that also are the library district or the fire district policy makers. ✓ It saves setting up another bureaucracy. ✓ The CAGR D is connected to the CAWCD through water, facilities, boundaries, etc. Makes no sense to move it. 	<ul style="list-style-type: none"> ✓ There is an inherent conflict of interest between the CAGR D Board and the CAP Board. ✓ I'm not sure that the current separation is far enough. ✓ The CAWCD must develop rules and criteria for deciding priorities for any future water allocations. ✓ The CAGR D should not be given priority over other CAP customers for future water allocations. ✓ CAGR D should be treated in the same way, and with the same priority as, M&I water customers and other CAP water users.

Often the current system was cited as the most efficient or the “least offensive” way to manage the CAGR D’s work. People wishing to retain the current governance noted that any changes would have to be authorized through the state legislature and could create other, possibly more contentious situations along the way. Of those surveyed who had a concern about the current system, the reason most stated for their anxiety was fairness and equity in treatment between the CAGR D and other CAP subcontractors for future water allocations and access to canal capacity. Another reason was a perception that the CAGR D would compete with M/I interests for new water acquisition, and that the CAP Board automatically would give the CAGR D an advantage in such competition.

Observation: There was general agreement across the spectrum that the current system should be retained, but that the Board must establish rules, regulations and policies that guarantee equity and fairness toward all CAP customers.

Observation: It appears that the questions surrounding governance can be substantially addressed if the Board adopted rules and protocols that either eliminated the perception of competition, or created a level playing field if competition exists.

Observation: The issue of CAGR D governance must be resolved before any other substantive decisions can be firmly made. If not, any decision made by the Board is subject to recall.

What steps can the CAGR D take to address concerns about future obligations and enrollment?

- ✓ **What steps will the CAGR D take to manage future demand and enrollment?**

Enrollment - There is significant concern expressed across the spectrum of those interviewed that the CAGR D either cannot or will not be able to meet its obligation to its members to replenish excess groundwater pumping during times of critical shortages. For this reason there is substantial agreement among the stakeholders that the CAGR D be given tools to manage enrollment of new members. Water conservation, aggressive water acquisition, and water pricing were also discussed.

Status Quo	Change
✓ The legislature gave the CAGR D the rules and they should just simply follow those rules.	✓ If the CAGR D is responsible for replenishing water for its members, then they must be able to cap

<ul style="list-style-type: none"> ✓ If we cap the enrollment, then we pick and choose who can and cannot grow. That's not our job. ✓ Let the "invisible hand" of economics manage the supply and demand. 	<p>enrollment if they find there just isn't the water to fulfill the obligation.</p> <ul style="list-style-type: none"> ✓ Conservation should be part of the enrollment criteria; encourage wise use of the water resources.
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Observation: There was substantial agreement across the spectrum that, in order for the CAGRDR to fulfill its obligations for water resources, the CAGRDR should be given some level of authority by the legislature to manage, and possibly "cap," future enrollment. There was general agreement that methods for managing enrollment might include water pricing, but there was disagreement among those interviewed about establishing additional criteria that would control water management and conservation. A suggestion was made that additional enrollment criterion be developed giving priority for membership to projects that could demonstrate good stewardship of the resource.

Observation: There was almost unanimous agreement that the CAGRDR had no role in managing growth in the three-county area, but many also suggested if the CAGRDR were to manage or "cap" enrollment, the effect of such action would manage growth.

What can the CAGRDR do to assure that it will have sufficient water supplies to meet its replenishment obligations?

Water Acquisition - Almost all those interviewed commented that the job of acquiring the water resources necessary for CAGRDR to meet its obligations was daunting, and that they had concerns about the availability and pricing of future water. Many of those responding to the survey mentioned that buying water on the spot market and depending on Colorado River surpluses were insufficient to make the long-term commitment that the CAGRDR assumed. Water augmentation, wastewater reclamation, and even water conservation were also mentioned as needing exploration, but securing long-term water rights for the CAGRDR members seemed to be the preferred method of assuring long-term water.

Imbedded in these discussions were the topics of 1) competition with other water users to purchase water resources, 2) priorities for surplus CAP water, 3) priority for excess canal capacity for wheeling, 4) recharge and recovery of recharged water, and 5) financing of water purchases. One of the people interviewed equated the need for the CAGRDR to acquire long-term water as "an elephant

standing in the middle of the living room. Everyone knows it's there, but nobody knows what to do about it."

Comments
<ul style="list-style-type: none"> ✓ We must make sure that we have the money to buy the water to meet the demands. ✓ If the CAGR D is buying water, then the rest of us have to compete with them for the next bucket. ✓ Will the deep pockets of the CAWCD give the CAGR D an advantage in water purchases? ✓ Spot water can't be relied upon to guarantee that CAGR D can meet its obligations. ✓ What will the CAWCD and CAGR D do to assure all water interests are being considered equally when decisions are made for the allocation of CAP water? ✓ GRD was a paper water chase. Water recharge and recovery were an afterthought in creating the GRD. No one really thought it would ever happen. ✓ We need to complete the system by not only putting it in the ground, but also being able to remove it. ✓ Need to get the legislature to protect our recharged water from poachers who can stick a well adjacent to our recharge areas and draw the water out. ✓ CAGR D should not be doing conservation; that's redundant.

Observation: There was substantial agreement that obtaining additional water supplies would be a problem as the CAGR D grows. There was no agreement on how to resolve this issue.

Observation: The topic of water conservation was raised by several of the Board member as being an opportunity to serve more people with the same resources. Tier 3 interviewees were strongly opposed to the CAGR D asserting a role in water conservation stating that such efforts were the responsibility of the State and of local governments that already had programs to encourage conservation.

What can the CAGR D do to increase aquifer recharge in areas of hydrologic impact?

- **Need to require CAP water be recharged where groundwater is actually being pumped.**

There was a significant number of those interviewed that identified a concern that the water that the CAGR D is recharging is not being recharged into the aquifer from which the member is drafting. Concerns include 1) overdrafting, 2) impacts on surrounding wells, and 3) aquifer degradation and possible subsidence. This topic was discussed more frequently by Tier 3 interviewees than by others.

Comments
✓ Connect the areas where the basins are being pumped. It may be physically impossible to do this in all cases, but could do it closer to where the water is being extracted.
✓ Put the water in the areas where it is needed and not just convenient.
✓ Need to require CAP water be recharged where groundwater is actually being pumped.
✓ How long can we keep pumping certain aquifers without replenishing in that area?
✓ How long can we keep pumping certain aquifers without replenishing in that area?

Observation: This issue was very important to a significant number of those interviewed. While being salient to many, the ability to do much about the topic in the short run (tractability) seemed to be missing.

How can the CAGR D obtain the information that is necessary to make accurate, well crafted decisions about the future?

- ✓ How will we accurately project the cost of future water?
- ✓ How do we define the most likely sources of CAGR D water?
- ✓ What will be our customers' demand for water?
- ✓ How will population and enrollment affect the member's demand for water?
- ✓ What information about water acquisition will be most helpful and achievable?
- ✓ What is the CAGR D's total water volume need for the future?

These questions are of great concern to all stakeholders, but the information assembly and management seemed most concerning to the Board and staff. They feel a need to have the best information possible in making projections for the future. Those outside the Board and staff rarely mentioned the actual topic of data and information assembly, but were vocal in their concerns about how the CAGR D calculated water rates, increases in water supply, and water demand.

Comments
<ul style="list-style-type: none"> ✓ The CAGR D and CAP need to understand their customers. Need to define all the customers, the revenue, which customers are paying the full rate or more and which are not. ✓ Need criteria on which to base future "economic" decisions. ✓ Determine what commitment CAWCD has to its various customers including those that do not have CAP subcontracts. ✓ Come to terms with our belief about how much water there is and what that means for the future. Are we out of water or is there enough forever? ✓ CAGR D does these forward looking projections and as they have more experience, they can look at how good their projections have been – do some type of sensitivity analysis.

Observation: The topic of data gathering and analysis was not salient to most of those interviewed, but is extremely important to a small subgroup from the Board and staff. Data is interpretation and how that data is used for decision-making was an important topic to many.

APPENDIX A

SUMMARY OF BOARD COMMENTS BY QUESTION AND SUB THEME

8-8-06

(N = 11)

How familiar are you with the CAGR D?

- ✓ Okay
- ✓ Significantly familiar
- ✓ Very familiar
- ✓ Quite
- ✓ Moderately – I know much as 90% of the other Board members
- ✓ Very familiar. Participated in the work sessions to set up the CAGR D
- ✓ Somewhat to “very” familiar, depending on the topic.
- ✓ Not nearly as informed as I should be.
- ✓ <did not want to commit>
- ✓ Fairly familiar...not exactly versed in every detail, but fairly good.
- ✓ Compared to who or what?

How does it operate?

- ✓ CAGR D provides a bell-weather check to see if people have enough water to develop. It's a regulatory function.
- ✓ It's a paper exercise in guaranteeing that there will be compliance with the 100 year water supply rules.
- ✓ It's a convenient regulatory / system process to allow folks to actually move paper water from point A to point B.
- ✓ It serves a purpose to meet the need for which it was created.
- ✓ In statute, anyone who can meet minimal requirements can join
- ✓ CAGR D recharges the aquifer for the water taken out by the member
- ✓ CAGR D charges <money> the member for the water he/she/it takes out, plus a fee for the administration it takes to run the CAGR D
- ✓ The CAGR D has no authority to regulate.
- ✓ Set up to provide water to those customers who did not have access to CAP water.
- ✓ Its whole purpose was to legally contract with customers who joined, which assures the customer that they have a 100 year assured supply, and if they don't the CAGR D will step in to make up the difference.
- ✓ Legal contract with the customer. People forget that fact. The CAGR D has a legal contract to supply water, either from a third source, built up supplies or someplace else.
- ✓ When a development or city is pumping groundwater as a member of the CAGR D, the CAGR D puts the exact same amount they pump or use in excess of their water rights, back into the ground from CAP water resources that the CAGR D has acquired.

- ✓ It was a mechanism created by the development community so they could build houses and still meet the 100 year water supply rule. It only exists within the AMA's.
- ✓ Allows for a subdivision or new water users to tap into a groundwater source that may not last a 100 years; pump tax to recharge elsewhere in the region.
- ✓ I'd rather not describe the operation of the CAGR. Can't give an accurate answer.
- ✓ Legislation that became effective in the mid 90's that gave the CAWCD Board to sit as a replenishment district.
- ✓ The assured water supplies rules require member lands, developers, landowners, etc to have a 100-year supply.
- ✓ CAGR issues certificates that assure there is a 100-year water supply available to the land.
- ✓ CAGR goes out and buys the water for the member.
- ✓ Excess CAP water is the primary source of CAGR water, but because of the growth, the CAP doesn't have the level of excess water to support the CAGR members.
- ✓ CAGR recharges...some through CAP and other times through the Water Bank
- ✓ Lets the development receive an AWS designation.
- ✓ CAGR will replenish the water to comply with ADWR rules

Why do you think it was created?

- ✓ To make sure Arizona doesn't have developments around the State that don't have water.
- ✓ Created to provide a mechanism for that does not have CAP M&I subcontract water or physical access to CAP supplies.
- ✓ Meet the growing Groundwater Assured Water Supply requirement
- ✓ To provide some assurance to municipalities and to other water users that there is a mechanism for development and water conservation.
- ✓ Depends on your perspective. Some people say it was created to provide developers with unlimited water to build. Others say it was created to replenish the aquifer.
- ✓ I wasn't here at the CAP at the beginning, so I can't answer that. There are all kinds of things people tell me about why it was set up, but I can only presume it was to address the stuff I mentioned earlier.
- ✓ Development community feared that they would hit a wall and be stopped from building and growing.
- ✓ Developments needed to get their water tickets punched; AWS.
- ✓ Support safe yield.
- ✓ To allow the developers to develop where there is no surface water, but where there is groundwater.
- ✓ It was created for the developers so they could build houses.
- ✓ A way of shifting water responsibility to another day and another person.
- ✓ So the homebuilders can continue to build and community can grow in places where there is not 100 year water
- ✓ The development community created the CAGR to comply with AWS

- ✓ Allow growth and development to continue
- ✓ I don't really understand exactly why it was created, but I can venture a guess, but I won't speculate.
- ✓ Pushed heavily by developers that looked outside the CAP and SRP water areas, which didn't have any direct access to surface water; could demonstrate they met the 100-year water supply rules.
- ✓ Critically important to the development community,
- ✓ The assured water supplies rules require member lands, developers, landowners, etc to have a 100-year supply.

What do you see as the benefits provided by CAGR D?

- ✓ To live up to the statues of 100-year water supply for those areas that are required to have one.
- ✓ Focuses the water conversation in one place. Level playing field. It meets the policy and paper need.
- ✓ Another unintended need is the active recharge of water. If you go back and talk to people who initially worked to create the CAGR D, they didn't really expect for recharge to work. "Yea... yea... yea!" but didn't really expect it to work.
- ✓ Allows for meeting growth needs of the Valley (Phoenix Area) with some assurance and backups that at the end of the day there is some water.
- ✓ Assure customers a continuing supply of water.
- ✓ Growth can continue to occur in 3 county area regardless of the lands legal or physical access to CAP water
- ✓ Given Arizona political history with growth, it's a reasonable solution to a real growth problem.
- ✓ CAGR D has created larger planned developments than would have otherwise been built.
- ✓ Allows Safe Yield (on paper) for the AMA
- ✓ Promotes growth, whether that's good or bad.
- ✓ Short term it helps the economy.
- ✓ Allows continued growth of Arizona while we figured out the reality of the 100-year assured water supply requirements.
- ✓ Some people believe that the AWS rules go overboard, and others believe they don't go far enough.
- ✓ Caused Arizona to collect revenues to be used to recharge excess CAP water.
- ✓ CAGR D was the vehicle under which we could do the Nevada deal.
- ✓ Gave the three counties ability to keep going and put off the big ticket capital projects to deliver water to a growing population. At some point the water is going to have to be recovered and deliver wet water to the CAGR D members.
- ✓ We can use our funding power (CAP) to build large transmission lines and provide funding to have people build treatment plants that others would own and operate. Funding would be provided by the CAP or CAGR D funds that were collected.
- ✓ Allows more orderly development of the region
- ✓ Provides a source of water

- ✓ Provides for the replenishment of the water supplies
- ✓ Provides long-term water; a bank; underground supply
- ✓ First, it replenishes groundwater, second, it allows growth to continue
- ✓ Landowners who don't have direct delivery of water to still develop their lands.
- ✓ The CAP benefits because it can keep a firm hand on water supplies; defines the constraints of water in the future.
- ✓ Huge benefit to some municipalities so they can develop areas that are not otherwise developable.

What are some of the negatives?

- ✓ Creates a real problem in that it puts the CAGR in competition with everyone else looking for water.
- ✓ It's a paper chase.
- ✓ It may provide a level of unsubstantiated confidence, an easy out for people about water.
- ✓ Groundwater isn't necessarily recharged in the place it's being used
- ✓ None, as long as the CAGR has the supply of water to satisfy the contract it has with the customer.
- ✓ The reverse of the benefits: Allowed growth to occur that would otherwise have been within cities; allowed growth to occur outside of the CAP water service areas.
- ✓ Anti growth sentiments would say it allowed growth to continue.
- ✓ The CAGR doesn't necessarily recharge the water where it was originally taken from the ground. <Assuring a safe yield for an aquifer>
- ✓ Recovery projects are not in place to recover the water; a pipeline delivery of raw water to actual water treatment sites is needed in the future. Build a pipe from the canal to a long distance CAGR member that has been paying and recharging for a long time. Get wet water to places that don't have wet water, now.
- ✓ Subsidence occurs when any particular aquifer is over drafted; earth cracks
- ✓ As the groundwater aquifer goes down, it costs more to pump the water to the surface.
- ✓ The CAGR may be in conflict with the CAP's customers.
- ✓ It's getting out of hand. <enrollment> We don't know when enough is enough.
- ✓ We have limited water and we are approaching the point where we can't do it anymore.
- ✓ When we purchase groundwater from outside the AMA we implement the Dracula Syndrome. Where we look to mine groundwater from other places to survive. It's not right for these people to create the development, sell the houses and then leave with no long-term responsibility for what they've created. They don't live in the community they built so they don't do right in the long run.
- ✓ The ease at which a developer can obligate a future landowner to the financial commitment to pay for future water is amazing.

- ✓ We have not made the commitment, financial or organizationally, to the recovery obligation. We have not seen a definitive recovery plan, budget or schedule. I think it's a five-year deal.
- ✓ Significant danger that the ADWR regulations that a private land owner adjacent to our recharge site could build a production well and take the water we've been recharging Substantial risk. Legislation that would secure the recharge site. Keep people from drilling wells next to our site and taking our water.
- ✓ Allows for leap-frog development in areas that are not part of the CAP
- ✓ Provides for the replenishment of the water supplies in areas that are not where the water is taken.
- ✓ I don't see these as problems, but it appears that some of the negatives are "competition within the water users for water acquisition and ownership with the CAGR" and "whose ox is being gored at any particular time."
- ✓ Limits in the legal ability to manage the CAGR.
- ✓ We've interpreted the rules very narrowly.
- ✓ Not able to deny enrollment unless we are absolutely out of water.
- ✓ Where are we really going to get the water that we're promising we'll provide in 100 years?

What are the “first order” issues that need to be addressed in a CAGR D strategic plan?

Sound Information for Decision Making

Data to Build a Business Plan

- ✓ What is the potential universe of the people who expect to be served by the CAGR D? We don't have solid numbers. If you don't get this right, nothing else matters.
- ✓ Knowledge about the CAGR D and its operation is incomplete. We don't really know how much ground water capacity we're creating, and we still don't have a way to recover it.

The Hydrological Connection

- ✓ Disconnect between where the water is being taken out and where the recharge is being done. The AMA isn't really fully connected on a unified basis.
- ✓ How aggressive will we be in recharge business? How broad is the actual recharge we will implement? Whose responsibility is it?
- ✓ Legislation needed for CAGR D to protect its water recharge.

Communicating with the Public

Communication with CAGR D Members

- ✓ Customers of the CAGR D (homeowners) don't even know they're involved.
- ✓ Most people don't understand the CAGR D. Service Area and the Member Lands, and it's unclear how much they will pay. The cost will go up. Water in Arizona is cheap right now, but it will go up in the future.

Fiscal and Physical Resource Concerns

Creating a Sound Long-term Strategic Plan

- ✓ Regrounding in the plan of operation that we adopted last year.
- ✓ The Plan of Operation is really a strategic plan because it establishes many of the rules and policies.

Financial Management in an Uncertain World

- ✓ Assurance that we have the money to buy the water to meet the demands.

Escalating Cost of Water Acquisition

- ✓ Cost...there will be higher prices in the future. This is a shared cost, so the costs of the early water to the early members, will rise when the newer members come along

Legal and Ethical Considerations

Ethics of Water Transfers

- ✓ Is it socially right to rob others of their groundwater? Especially if it's outside the AMA and the land will be left without any groundwater.

Water Law / Water Rights / Water Acquisition

- ✓ We've identified the water to meet the demand, but we don't have the right to that water. Obtaining legal rights to that future water supply. CAGR D has

bought up a couple of small water allocations, 2900 AF of water from the States Lands, LIPSCO, pretty minimal. Supplies to use, but they don't have permanent supplies.

- ✓ What do we need to do to expand our role, to do more replenishment services, and to get more water?

Governance

CAP Board or Independent CAGR D Board?

- ✓ Will CAGR D stay under the CAP board?
- ✓ We have to answer the question, "Should we CAP be in the CAGR D business?" My answer is "yes" but we need to get this question out of the way before we can move on.

Managing Demand and Growth

Enrollment

- ✓ Clearly we have to make a decision on membership limitations. Will we limit membership? If so, what are the criteria for limitation?
- ✓ Growth management
- ✓ Rules for enrollment and membership
- ✓ Legislation is needed to expand our authority. Need to get the authority to limit enrollment.
- ✓ I don't like the current rules for enrollment. We have to take anyone who comes along that can meet the DWR's rules, whether it's a good project or not. Whether they will use the water wisely or not.

Managing Future CAGR D Obligations

- ✓ The CAGR D is indefinite. It is warm and fuzzy right now, but it could be unidentified in the future. This process is wonderful because it will identify these first order issues. We're dancing at the ball right now and the music is wonderful and the Champaign is flowing, but at midnight you better be on that coach before it turns into the pumpkin.
- ✓ Take control of the CAGR D and restructure it. Make it more active than it is now in water business, so it will be there and doing its job when it's really needed.

Rules for Enrollment, Continued Membership and Water Allocation

- ✓ Conservation, perhaps
- ✓ The CAP can be superimposed on the CAGR D with some broadening and tightening.
- ✓ The CAGR D's existing plan of operation is the place we need to begin
- ✓ Board is divided in three ways: CAGR D no way...get rid of it. Leave things just the way they are...no questions asked until we're out of water and in a crisis.

Competition for New Resources

- ✓ Competition for water among all users of the CAP; single biggest issues; how can we work together? CAP will act as a broker to acquire water for all CAP customers.

How do you feel about CAGR D's governance?

Keep the CAP Policy Board and the CAGR D Policy Board one-in-the-same

- ✓ I don't have a problem with the way it is. No different from a Board of Supervisors that also are the library district or the fire district policy makers.
- ✓ It saves setting up another bureaucracy.
- ✓ I think we need to have a discussion... a public conversation about the relationship between the CAP and the CAGR D. Why did the legislature create the relationship? How the CAGR D and the CAP fits into the rest of the water world? The CAGR D gives the CAP an additional dimension.
- ✓ We need a public discussion so we are all on the same starting point of understanding.
- ✓ I like the current system. It is better that the full board is engaged as the CAGR D.
- ✓ The governance is in the right place at the right time. No one is better equipped than the CAP to staff and deal with these issues.
- ✓ Creating a separate CAGR D entity would create another excess layer of government. If you create another elected board, they're no different than a city or county. I hope that doesn't happen. Don't split it just because of the competition issue. Fear of the competition is not justified. The CAGR D should be another user of the CAP just like everyone else.
- ✓ Current governance with the CAP board acting as the CAGR D board is appropriate.
- ✓ I'm okay with it just as is...some think there is an institutional conflict.
- ✓ Nobody has suggested a method that would give balance and not cause unintended negative consequences.
- ✓ It think it's great as is and shouldn't change. Staff is good. It's small and efficient. The Board is becoming more involved and educated. Decisions (indefinite) will be made.
- ✓ I think the current governance is appropriate. It's difficult to image any other alternative. To create another taxing, special body that would fairly represent the county served would be difficult. The varying degrees of paranoia may be valid in some instances; there is no replacement for the current system.
- ✓ The creation of the law, the CAP didn't want or request the responsibility. It's just the best place for this to land.
- ✓ Cliff Neal is doing a great job. Everyone is happy with Cliff, so we don't pay much attention to it.

Create a CAGR D Policy Board separate from the CAP Board

- ✓ Maybe there should be two different Boards for the CAP and the CAGR D. There are some built in conflicts.
- ✓ Whose interests are being served at any particular time by the combined board?
- ✓ I've wanted to see what would happen if I resigned from the CAGR D Board. I was elected to the CAP Board but never signed up for the CAGR D.
- ✓ Ag and mining were both asleep at the switch when the CAGR D was created, so they might have something to say about the CAGR D. Where will the next

bucket of water come from? Who decides who will get that bucket? The guy with the most money? The next person in line? There's conflict within the M&I users.

- ✓ Conflict between the CAGR D Board and the CAP Board. I'm not sure that the current separation is far enough. There needs to be a Chinese wall between the two. Two institutions under the same roof.
- ✓ Arms length.
- ✓ Who's the CEO? Cliff? Sid? Etc.

Do something different

- ✓ Lots of people have an opinion on whether the CAP should be the policy board
- ✓ Need to have a strategic relationship with the entities to have equitable water acquisition. Maybe the CAP or the CAGR D can play a part in this. A role.
- ✓ Limiting enrollment. Conservation. Water sharing. Water acquisition.
- ✓ I think we'll have to be in competition with the municipalities for future water.
- ✓ Need to have some management control over the CAGR D that will factor in conservation.

What do you think CAGR D's role should be regarding management of growth in CAWCD's three-county service area?

The CAGR D should not have a role in controlling growth

- ✓ I don't think there is a role.
- ✓ I don't think that's our job. We aren't the zoning entities. We need to look at how we enroll members, and if we restrict members. That's as far as we can go right now. The State has a growth planning process.
- ✓ It should be a cooperative hand working with other concerned entities (NGO's, government, concerned citizens). Adam Smith's "unseen hand" will play an important role in this discussion.
- ✓ The CAGR D should be limited to what the law requires us to do.
- ✓ CAGR D trying to control growth or directing growth to one area or another is beyond the obligation of the CAGR D.
- ✓ I don't think the CAGR D should have any role in growth management. That's the cities role. On the other hand, they need to blow the whistle when the water is running out. We have a trigger mechanism when there is no more ability to grow, but the decision to limit growth is someone else's. Local governments make the land use decisions.
- ✓ There are few examples of water being the limiting factor in Arizona growth.
- ✓ If we took on growth control, there would be a serious fight. We'd all be shot. It would be interesting who would crawl out of the woodwork on that one.
- ✓ I would like to try to do some growth management just to see what would happen? I'm politically curious. See what would happen.
- ✓ Example: A police officer may feel we need stronger traffic laws... but that's not his/her job to make laws. The officer enforces the rules.
- ✓ CAGR D is doing a fine job of executing the statutory job of do; if someone wants the CAGR D to manage growth, then they need to speak up.
- ✓ We don't have a role in growth management. It's not our responsibility. It's the local / state / county jurisdictions that have control over growth. I would look for the role of the CAGR D in growth management to be to inform and not to regulate.

The CAGR D should not have a direct role in controlling growth

- ✓ I don't want to be in the business of controlling growth...that's the county and cities business. But, we're promising to supply water for 100 years, and we can't right now guarantee that water. We don't have that water to guarantee.
- ✓ We don't need to be in the business of directly controlling growth...just need to manage our commitment to provide the water that will support that growth.
- ✓ If the CAGR D took on the role of regional water acquisition for municipalities and water companies that may help.
- ✓ Clearly, water supply, rates and acquisition strategy (the manner in which we move forward) will affect the cost of growth in the future. It goes without saying, the higher the price of water, the greater the cost of development. Price will hold the rate of growth down.

- ✓ Collaborative relationships with legitimate growth management agencies are the key.
- ✓ Look to the future. Does the CAGRDR need legislation to support it?
- ✓ If we need to manage the supply we have then we need to go to the legislature
- ✓ Not as familiar was I need or want to be with the issues, but the CAGRDR is taking an increasingly important role in growth issues. It's clear that the CAGRDR should be advisors to regulators and not regulators, themselves. At this time we must be more collaborative in our approach to how we work with local government. Develop relationships.

The CAGRDR should have a direct role in managing growth through enrollment limitations so that financial and water obligations can be met.

- ✓ Need to control the enrollment. Not eliminate enrollment, but be able to better manage the enrollment.
- ✓ The CAGRDR has no ability to manage or control its members; we can't say yes or no to the member.
- ✓ We need limited regulatory control; the ability to have some say over what goes on. Currently we have no control over the members.
- ✓ The rule should not be "first in get's all." It should be about the best practices and projects...projects that use the water wisely.
- ✓ The CAGRDR has an obligation to do what is right. If there is a member that has a wastewater plant, maybe a percentage of that water should be the CAGRDR's.

Are you familiar with the water supply acquisition plan laid out in CAGR D's recently approved Plan of Operation?

- ✓ Not really. It's my own fault and I should be better informed.
- ✓ Yes.
- ✓ Yes.
- ✓ Yes
- ✓ Not that much familiar.
- ✓ Yes,
- ✓ Limited knowledge
- ✓ Yes
- ✓ Yes
- ✓ No.

If so, do you have any comments regarding the plan?

The Plan is solid and the process was good. We should be proud of the work

- ✓ I support that Plan. It was an ongoing work program of the Committee and the Board.
- ✓ I think it was arrived at in the proper manner.
- ✓ It was 90% driven by the stakeholders. It was a good process. The Board really needs to dive into this, so this plan will give us a great opportunity to do this.
- ✓ I very much appreciated the way Cliff handled the plan of operation. Staff did great work and got feedback from the stakeholders. I watched how the staff listened and handled those stakeholders, and how he was able to move forward. Kept everybody focused.

The Plan is a guide

- ✓ The plan gives us a blueprint. Maintain some flexibility within the blueprint, specifically the timing.
- ✓ Strategic plan should support this effort without becoming overly specific.
- ✓ It's just a plan. There's a long way between a plan and implementation; be flexible in working the plan. The key in CAGR D is to determine what the total demand is. We've done the supply side, but we don't really know what the demand is for all the customers in the CAP service area. We might find that the demand is less than the supply. We need to know the demand. If we get close, then we can prioritize.

The Plan suggests the CAGR D should stretch beyond the status quo

- ✓ Explore some of the on-River supply opportunities sooner than the Plan calls for. Just to test the water.
- ✓ Strong proponent of the CAGR D evolving into the water broker for the Central Arizona area.

Concerns about the Plan encouraging mission creep

- ✓ The CAP customers rejected the first draft of the Plan. Members don't want CAGR D to dip its straw in the future long-term water supplies. Short-term

supplies were okay, but long-term supplies weren't. The kinds of water and where the water comes from are at issue.

- ✓ Know that if you want to take water that was recharged out of the ground, then I don't have problems with it. If it's groundwater, then I have a problem.
- ✓ Enhancing the flow of the river is okay, but taking groundwater from other areas bothers me.

The Plan doesn't go far enough

- ✓ It doesn't adequately address the effluent and doesn't see it as a source of recharge of water. When you look at it as a CAGR member, then there's an opportunity to benefit from effluent. This should go toward repaying the water obligation you're committing to
- ✓ It's clear we need to increase the overall water supply and acre feet that is purchased or controlled by the CAGR for its members.
- ✓ I can't tell you where we're getting our water... somewhat smoke and mirrors.
- ✓ At what point do we have to secure it. Where it will come from?

How should the CAGR D be focusing its resources over the next 10 years?

Water Acquisition, Distribution and Recovery

- ✓ Renewable water is what the CAGR D needs to search for and acquire for its members.
- ✓ We need a clear distinction between water and paper water.
- ✓ IF we allow more members, then we need to aggressively acquire water to back up that membership.
- ✓ Figure out where the CAGR D water is coming from, and how to recover it if we need it.
- ✓ Obtain legal rights to future water supplies in order to meeting growing demand.
- ✓ State Land Department has more water than they need
- ✓ Expand our authority to get more water to the member lands.
- ✓ Canal capacity is the biggest real issue. Help to firm up the policy and give certainty.
- ✓ We can't keep signing up people if we don't have the water.
- ✓ If we have water-logged areas that isn't worth much, is there a place or larger view of managing that water? We're not paying attention to this because we have too much cheap water.
- ✓ Substantial amount of water will be pumped out of the ground to treat superfund sites, manage plumes and that water is available for manage. Keep track of all the water that is being treated to good standards, account for it, and get it back into the system.
- ✓ Don't know where to get water, but don't buy water farms.
- ✓ Secure water supplies for its member and for the future
- ✓ Reform the CAGR D programs to get control of supply management. Where can we correct the course?
- ✓ Look for future water supplies. What will it cost? Where will it come from? Who will pay the cost?

Managing the CAGR D Financial and Physical Obligation

- ✓ Implementing the Plan of Operation
- ✓ Make sure that the foundation information is on target. Universe of people we're trying to serve.
- ✓ Prices and money involved needs to reflect the projections. Don't over or under charge.
- ✓ Fairness is involved.
- ✓ Determine how we are going to fulfill the long-term commitments for water. More taxes? More fees?
- ✓ Become more competitive in the three county area; not just for new development.
- ✓ We need the money to make the water purchases.
- ✓ Should be working hard to finish this strategic plan to give us a roadmap. Known to all, and no surprises.

- ✓ Address the concern about governance; moving forward toward brokering new water will take the trust, support and participation of everyone.

Actively Embrace Recharge Projects

- ✓ Recharge. We need to aggressively locate places to do recharge. In concert with other entities. Co-funded with the cities or county. We are the de facto leader of the recharge.
- ✓ Need to make CAGRDRD hierologically legitimate. Connect the areas where the basins are being pumped. It may be physically impossible to do this in all cases, but could do it closer to where the water is being extracted. Might the CAGRDRD go into direct use rather than recharge, but would need treatment plants.
- ✓ Put the water in the areas where it is needed and not just convenient.
- ✓ Take some water and pump it in the ground.

Gain Control of Enrollment, the Rules for Membership and the Process

- ✓ Need to decide about membership.
- ✓ Logic and goodwill because we were all in the same bathtub when the water was drained.
- ✓ Clearly, fear of the CAP board by some should be addressed; we're getting their slowly but surely
- ✓ The process of the Plan of Operation by including the stakeholders in the decision-making process was good.
- ✓ Give the CAGRDRD more control over program administration.

Is there anything else you'd like to add regarding CAGR D strategic planning?

Critical of the CAGR D

- ✓ I'll be very critical of the CAGR D Plan, and I'll try not to make it personal with another. I'd like to stop the CAGR D, but I can't, so I want to clearly set rules and regulations that we can determine our future; not down to the last little detail but so we know we'll be able to do what we said we'd do.

Praising the CAGR D

- ✓ Short of drastic miscalculation on use, for the next ten years we have a plan that assures the CAGR D will not have a catastrophe.

Strategic Planning Process

- ✓ Move us through this process quickly
- ✓ We have time to fix this. It is not an emergency, but we need to get started because ten years goes very fast. By the next Operation Plan, we need to have a plan to solve these problems.
- ✓ Progress on this plan should be fun. We need to have a renewed commitment and specific work plan to allow stakeholders and interested parties to know where they could provide input, and understand when they can provide input and a voice. We're elected so we need to make sure our constituents have a platform to be heard.
- ✓ People need to understand what the plan of operation calls for and provides. The POO is the limiting factor in CAGR D growth. Responsibility to blow the whistle and close the windows to enrollment.
- ✓ We're going in the right direction by doing this planning approach. This will bring those that think 50 years out and those that will be leaving here to buy a boat in San Diego next week.

Communication

- ✓ We all need greater understanding of the CAGR D. People have all kinds of beliefs about what the CAGR D can and cannot do, and it would help if we were all singing from the same sheet of paper before we start fighting over who gets priority for what water.
- ✓ It is conceivable that after the process is completed, we may need some statutory changes in State law. Authority to do things. Recharge and membership come to mind.
- ✓ There's too much emotion over the CAGR D. I've heard people say that "The cost of water in the future could bankrupt the individual homeowner." I don't believe that. Water would have to cost \$30,000 an acre foot for the CAGR D tax to equal a \$1000 monthly mortgage payment.

Suggestions and Recommendations

- ✓ Need to form a cooperative relationship with the AMWUA cities to become a broker.

- ✓ We need to be a leader in getting the recharge projects going. Not necessarily running the recharge.
- ✓ Must be able to control enrollment. Limitation of membership is much like growth. They are twins.
- ✓ Water will cost more in the future. Therefore, we need to secure the water supplies as early and cheaply as possible. Maybe other kinds of water such as buying and fallowing farmland, wheeling from other places.
- ✓ Need more flexibility in the legislation and/or in the interpretation and implementation of the legislation to limit the enrollment.
- ✓ Need to look at the business relationship between the CAP and the CAGRDR.

Observations

- ✓ This planning effort will be much more critical to the developers than the CAP plan was.
- ✓ Special note: Water buffalos are herd animals. They come together to protect the herd when needed and will defeat strong enemies, but they also fight among themselves when there is no danger. This water community needs to stop fighting among themselves, become collaborative and fight a common enemy called drought.
- ✓ Wheeling is probably going to be a topic in the future.
- ✓ The CAGRDR hasn't been tested yet. It's complicated.
- ✓ There will still be some pushing and shoving
- ✓ Never be full agreement.

APPENDIX B

SUMMARY OF TIER 2 COMMENTS BY QUESTION AND SUB THEME

8-8-06

(N=6)

How familiar are you with the CAGR D?

- ✓ Very extensive.
- ✓ Very familiar with how it originally set up; familiar today because of research
- ✓ Very
- ✓ I am reasonably familiar with the CAGR D on a conceptual level.
- ✓ I understand it fairly well
- ✓ Very familiar, but not involved in the original legislation.

How does it operate?

- ✓ Brings water in, stores water underground, for water providers to service to their customers. Largely using CAP water. In the future they will be using other sources. Use water outside the defined CAP water system.
- ✓ If we find rules to govern the allocation and priority, have we defined away the perceived conflict of interest with the CAGR D having a higher status? Same way with the financing of the water purchase.
- ✓ We cannot prohibit a city from buying water on its own behalf, but we might use CAGR D to go out and buy water. How would we allocate that water within the structure?
- ✓ <See resolution and issue paper from AMWUA on the topic of the CAGR D>
- ✓ It's the alternative for growth...development could continue even though the CAP allocations had been distributed. No additional CAP water for growth. It takes advantage of water that is under contract but not being used. It is unused water that is under contract. Buy water on the spot market even if they don't have a firm water supply.
- ✓ In conjunction with the AMA assured water supply rules; developers or member service area (member) wants to have the CAGR D replace the groundwater they use and pay for that service.
- ✓ Entitles the member to be consistent with the management goal.
- ✓ Must satisfy the DWR rules, too.
- ✓ I was present on the Board when it was created and when the statute was first passed and I understand its origins. I generally understand its functioning but do not keep up with it day to day.
- ✓ Used by various interests to defer acquisition of needed water AWS – Club that you join...
- ✓ Two types of membership.
- ✓ Function is to provide assured water supply compliance.
- ✓ Specific allotment of water...any addition to that must be renewable.
- ✓ CAGR D that within three years of the use of the water it is sufficient if replaced.

- ✓ Replaces the water for the members within the basin.

Why do you think it was created?

- ✓ Mechanism to comply with the Assured Water supply rules. Outside the CAP. For future to occur outside the boundaries of the water supply rules.
- ✓ To meet a demand. Brought to the governor and legislature by developers. Couldn't grow without water and still stay within the assured water supply.
- ✓ It was the second CAGRDR; original was the Phoenix CAGRDR.
- ✓ Put together to solve the groundwater overdraft situation.
- ✓ Narrow the gap between the cities with water and those without surface water
- ✓ Development interests came together and put the deal together.
- ✓ Second CAGRDR was created
- ✓ Fill the void to meet the requirement of the AWS
- ✓ In my view, the CAGRDR was created primarily to facilitate certain kinds of development at locations where physical connection to renewable water supply was not possible. Examples include retirement communities not near the CAP canal and not lying within city limits. The CAGRDR was viewed as a reasonable means of facilitating development to take place in those areas based on sufficient amounts of groundwater being available to support 100 years worth of development and with excess CAP water being purchased and banked elsewhere in the county. This was viewed as a win-win situation that would facilitate development in some areas that would otherwise not be developable and would also result in purchase of more Colorado River water, getting it off the river, keeping it away from California, and bringing it in to Central Arizona for future use.
- ✓ Consolidate water authority...morass of detail and laws; acquire water for member interests. One-stop-shop.
- ✓ Developers could use water without finding a renewable supply to deliver to that specific land.
- ✓ Farm land preservation. CAGRDR pulled the rug out from under them; made their land less valuable.

What do you see as the benefits provided by CAGRDR?

- ✓ Provides a financially viable mechanism for future development within the CAP service areas.
- ✓ Fully using the excess CAP water.
- ✓ Could use the water more effectively.
- ✓ Water under contract but flowing down stream to California and Mexico.
- ✓ Making the CAP system more efficient by spreading the cost over a broader community
- ✓ Allows development to occur and still maintain the goal of being in an active management area
- ✓ Solves the problem of areas that do not have access to surface water
- ✓ Regional water provider for areas without access to surface water
- ✓ CAGRDR has operated as it was intended. It has undoubtedly resulted in more water being banked in Central Arizona and it has facilitated some

development that would not otherwise have been able to occur. It is the simplest and in many cases cheapest (from an upfront perspective) mechanisms for satisfying the 100-year assured water supply requirement.

- ✓ Benefits – easier for both developers and regulators to manage; you join and the CAGRDR agrees to assume all responsibility for finding and replacing water that the members use above their allocation. This uncomplicated the administration of water, but doesn't change the reality and hydrology of water.
- ✓ Depends on how you feel about it.
- ✓ Allows growth to occur at less expense and in places that might not otherwise be developable

What are some of the negatives?

- ✓ Don't put the CAP water to direct use; move to store the water underground rather than use it directly which is much more efficient.
- ✓ Disconnects the water and water access from the land use planning
- ✓ Creates new water companies.
- ✓ Potential for competition for water resources and supplies
- ✓ Financing of CAGRDR is like spreading peanut butter.
- ✓ It is an insurance policy so there is risk. How good are we at predicting future demand and supply.
- ✓ We live in a world of 100-year water supply, and we're already 25 years into the groundwater code.
- ✓ If we're wrong in our projections, then there are dire consequences.
- ✓ Each house built is a permanent demand....the supply is still not within our control.
- ✓ Ultimate liability for the CAGRDR. Huge liabilities
- ✓ Where does the CAGRDR fit into the food chain?
- ✓ Lots of straws in the same bucket of water.
- ✓ Even though you have to have the 100-year water supply, the CAGRDR only has to show water for 25 years. CAGRDR is always looking for spot water. Can't guarantee the water. It could spiral and fail if there is a considerable groundwater overdraft.
- ✓ One of the unintended consequences, however, is that it has become the default water supply of choice for metropolitan area growth such as on the west side of Phoenix or in new areas of Pinal County.
- ✓ As a result it has been much more popular than was originally anticipated.
- ✓ Risk – Puts the CAGRDR out there and there are variables that we cannot control, only predict. The CAGRDR is mechanical, and water is hydraulic. We depend on CAP surplus water. How long will this surplus be available and dependable? How much will be available? Unused apportionments. Secretary of Interior can declare a surplus on the River.
- ✓ Easy for developers to access cheap water; develop at a fast pace; need to assure CAGRDR doesn't become over obligated. There will be an end of CAGRDR enrollment.
- ✓ Depends on how you feel about it.
- ✓ Question of the hydrologic impact of replenishing the actual water.

- ✓ What happens when the groundwater runs out? Need to show a 100-year water supply... 1000 foot rule. Quality of water decreases...threat of subsidence. If the water might run out in less than 100 years, then the area has time to build the plumbing. Subdivision had to have supply but even if it runs out, the water will be within the CAP area and plumbing can be supplied.

What are the “first order” issues that need to be addressed in a CAGR D strategic plan?

Making Sound Business Decisions

- ✓ Determine how much risk is acceptable to the CAGR D. Error on the side of being conservative.

Recharge and Recovery

- ✓ Recharge and recovery planning; facilities? Where will you put the water? When will you recover the water? When is it okay to recover it?

Financial Management

- ✓ Financing mechanism. How do we pay for the CAGR D? Higher up-front cost of membership. Water acquisition cost that reflects the need for 100-year supply. Rate-payer being informed of what is really happening. Full cost of the water by the rate payer in advance.
- ✓ Have a mechanism to finance longer term water acquisition.
- ✓ First you pump... then you pay. That provides good financial management but doesn't necessarily make for good water management.
- ✓ Having to attach everything through the property tax bill is a problem; seems awkward. Maybe a separate water bill.
- ✓ The third major issue is projecting accurately the future potential charges that may need to be imposed to keep the CAGR D solvent.
- ✓ Financial superiority of the CAWCD in terms of buying water.

Governance

- ✓ Governance is the issue.

Water Priority and Fairness

- ✓ Equal access to future water supplies; competition between those inside and outside the CAGR D.
- ✓ Cities want equal access to canal capacity.
- ✓ Where does the CAGR D fit within the priority for CAP water supplies?
- ✓ Concern among the subcontractors, if competition occurs, the CAGR D will take precedence over them

Managing Demand / Growth

Enrollment

- ✓ What do we want the CAGR D's power to cap enrollment to be? Why do we want a cap on enrollment?
- ✓ Cut off membership. They're too far extended. Get legislative authority to cut off membership.
- ✓ The second major strategic issue is related to forecasting the future of the CAGR D and the amount of growth and enrollment. Is there a point at which CAGR D members should be capped and enrollment stopped?

Managing Future CAGR D Obligations

- ✓ Have to deal with the allocation of the excess capacity in the canal.
- ✓ Under the existing structure, the CAGR D can provide developers with 100-year assured water supply though the CAGR D does not have a 100-year assured supply. This suggests that the first priority issue is a conclusion as to whether or not the CAGR D should obtain a more permanent water supply.
- ✓ First order issues include: When will CAGR D mature and retire? There is an end...where is the end? Be conservative in projections.

Competition for New Resources

- ✓ Identify reliable supplies of water that might be available to CAGR D members. What does that mean to the other CAP contractors?
- ✓ Relationship of CAWCD to its customers.
- ✓ Establish processes to assure a level playing field.
- ✓ How does CAGR D interface with planned developments? CAGR D doesn't interact with decisions about development.

How do you feel about CAGR D's governance?

Make some changes to CAGR D governance

- ✓ The AZ Water Bank and the CAGR D are linked. CAWCD board is represented on the Water Bank, but not visa versa. Perhaps some outside representation on the CAGR D wouldn't be a bad idea. The contractors, legislature, DWR, etc.
- ✓ Concerns that the responsibilities for CAP contractors and the CAGR D responsibilities might come into conflict. Perception of conflict of interest should also be a concern.
- ✓ I am hesitant to advocate creating any form of new agency for the governance of the CAGR D. Having said that, there are some inherent conflicts in having the CAP Board of Directors also direct the CAGR D. Those conflicts are most likely to be played out in tension between the cities as customers of CAP and the CAGR D as a customer in regard to the acquisition of future water supply. I would not, however, at the moment advocate any change in the existing governance.

There are no reasonable options

- ✓ Because the CAP board manages the canal, it also manages the most efficient way to deliver water, and that gives the CAGR D an advantage, too. Priority for water, canal capacity, place in line.

Keep the CAP Policy Board and the CAGR D Policy Board one-in-the-same

- ✓ I don't have a big problem with the current governance. The CAGR D functions differently than the CAP; the CAGR D is into growth management and stuff like that.
- ✓ It's nice that the CAWCD board is involved, but these decisions require institutional knowledge and expertise of the governing board, which is not required. I appreciate the great staff at CAWCD, but if the Board is making the decisions, then the members should have knowledge, too.
- ✓ Professional staff is doing a good job.
- ✓ Keep the CAGR D a subsidiary of CAP; just as easily have ADWR manage the CAGR D, but since CAP water is the key to the transaction, it seemed a good place to put such an organization. It seemed to work as long as water was in excess, but as supplied become limited and the use of CAP water increases by the contractors, less excess water will be available, and there might be reasons for reconsidering who manages and makes policy for the CAGR D.

Observations

- ✓ If we properly clarified the role of the CAWCD as the governing body of the CAGR D, then we could clarify the perceived conflict of interest. CAP is to sell water providers raw water. It's easy to make the CAGR D (thus the CAP) look good by selling cheap water to CAGR D and giving them first priority.
- ✓ A structure would be established to people who need assured water supply.
- ✓ Use the existing structure of CAGR D to find the next bucket of water

What do you think CAGR D's role should be regarding management of growth in CAWCD's three-county service area?

The CAGR D should not have a role in controlling growth

- ✓ Currently, it has no role. This should be left to the cities and counties who are responsible for land use planning. The CAWCD or CAGR D Board has no role, and shouldn't have a role.
- ✓ I don't see the CAGR D will ever have a role in management of growth. There will come a time when the CAGR D will say the water is too expensive. It's about the financing of water resources.
- ✓ It's a technical expert and should serve as an advisor to planning commissions and state agencies, but should not be a regulator of growth.
- ✓ Member service areas and member lands...once a member always a member. NO mechanism for stopping membership.
- ✓ I don't think they should have a role in growth. Need to be a de facto water provider. If they don't have enough resources to provide the service, then they need to shut off the service. Shouldn't be committed to go to extraordinary lengths to provide service.
- ✓ I don't see the CAGR D having a role in growth management. Cities, towns and counties, maybe state legislators have a role.
- ✓ Neither CAGR D nor CAWCD should be in the business of growth management.
- ✓ It facilitates growth...question is, does it accelerate or retard it? Growth, obligations, dependency of people on the CAGR D water supply... Growth management is reserved to the political subdivision with elected representatives. Should not be the job of the CAGR D. The 10-year plan has the ability to assure we don't go over the obligation.

The CAGR D has no role in growth management, but does have the responsibility of assuring it can provide the water it has guaranteed when called on to do so.

- ✓ Charge more.
- ✓ Put very severe limitations on per capita water use if the CAGR D mechanism is chosen.
- ✓ Identify areas or regions of the three county area where the CAGR D would refuse to be the water supplier because alternative direct delivery systems are available (this may take legislative changes).
- ✓ I believe the CAGR D should be more proactive in managing its own position as a presumptive water supplier. I do not believe that the CAGR D in the long term should be the "provider of choice" for larger areas of urban growth. I think the CAGR D should take steps to position it to be less attractive as a routine water solution. Such positions could include:

Are you familiar with the water supply acquisition plan laid out in CAGR D's recently approved Plan of Operation?

- ✓ Yes.
- ✓ No, and no comments.
- ✓ Somewhat.
- ✓ I have heard explanations of the water supply acquisition plan but have not studied it closely.
- ✓ Very familiar

If so, do you have any comments regarding the plan?

The Plan is solid and the process was good.

- ✓ It's a good start but should be subject to revision. Did a good job in laying out a baseline.
- ✓ ADWR has a voice in the Plan of Operation and signs off on it.
- ✓ Admirable job of gathering stakeholder input and the concerns of others. Continue that process.

Concerns about the Plan

- ✓ Take advantage of excess water to accrue credits and recharge the aquifer.
- ✓ Won't be reliable in the long term.
- ✓ I think that the CAGR D needs to wean themselves away from the excess water contracts and the short-term water supplies and look for long-term water. Short-term water is an opportunity and a bridge.
- ✓ Original structure was for the CAGR D to use excess CAP water for the recharge. The Plan puts the CAGR D into the area of acquiring new water supplies and thus in competition with other water suppliers. They were never planned to acquire new water supplies.
- ✓ I know how competent the CAGR D staff is and so I would assume that the water supply plan is technically very well done and lies out as an acceptable strategy for the next few years. Having said that, I remain concerned that over the long term the pace of growth in the CAGR D and the "firmness" of a water supply for the CAGR D can become very quickly out of whack. I believe on a somewhat longer horizon there is likely to be a problem here.

How should the CAGR D be focusing its resources over the next 10 years?

Water Acquisition, Distribution

- ✓ Look beyond the Plan to something that will probably take 20-30 years. Build the infrastructure needed.
- ✓ Maybe not look to expand their duties; if the municipalities request that the CAGR D look for water for them, then they could take on that role to obtain additional water.
- ✓ Regional water augmentation agency...everybody comes together and shares. CAGR D shouldn't be doing that on their own.
- ✓ Getting additional water in a reasonable and non-controversial basis. Institutional ways to do this.
- ✓ Palo Verde Metro water irrigation district. Water following. Good example of this process. Ag economy is sustained, but water is made available. Enlightened approach to looking for water.

Managing the CAGR D Financial and Physical Obligation

- ✓ Need to focus on addressing the big issues like the Plan of Operation, (first order issues)
- ✓ Should be performing their function. Replenish the water and meet their obligation and take care of business. Do what they're set up to do.
- ✓ Minimize risk.

Relationships and Communication

- ✓ Work with municipalities to coordinate water.
- ✓ Some people would say not to compete with municipalities.
- ✓ Frugally and effectively; political capital should be with the Board... change.

Is there anything else you'd like to add regarding CAGR D strategic planning?

Suggestions and Recommendations

- ✓ The CAGR D's role in land use planning and growth management should be a topic of discussion
- ✓ Need to review the CAP strategic plan upon completion of the CAGR D plan.
- ✓ Avoid competition for water with cities and water companies
- ✓ Important thing for the CAGR D is to focus on being a success; don't become a target for a good idea run amok. Don't get over committed and not be able to perform.
- ✓ Remain successful, and if the Board sees a point in time that success can't be achieved, go to the legislature and set limits.
- ✓ Make it collaborative. Work with private water providers, municipal water customers, others having standing in the water community, stakeholders who would have a legitimate claim over water issues.

Observations

- ✓ The CAGR D has turned into much more than it was originally conceived of.
- ✓ "If we delay the governance discussions until last, there may be some obvious solutions that arise to resolve the governance."
- ✓ In the long run the CAGR D will become an independent body to avoid the conflict of interest of the CAWCD Board.
- ✓ We're seeing a dependence on the CAGR D that we didn't anticipate. Buckeye is an example. Very large population base. CAGR D can't perform in this way.
- ✓ The CAGR D is a great concept and serves a purpose. We'll eventually have to go to desalination; just have to pay for it.

APPENDIX C

SUMMARY OF NON-BOARD TIER 3 STAKEHOLDER COMMENTS BY QUESTION AND SUB THEME

8-9-06

(N=24)

How familiar are you with the CAGR D and how it operates?

- ✓ Very familiar, actually wrote it.
- ✓ Extremely, intimately familiar with AWS and how it interacts with the CAGR D. Served on the CAGR D stakeholder group.
- ✓ Very familiar, studied it
- ✓ On a scale of 1-10, about a 6. I reviewed their plan of operation for one thing, and in addition, and with AWS the CAGR D will be identified as the supplier of renewable supplies – have to have that for AWS certificate.
- ✓ Very familiar, I was involved in initial legislation, and involved in enrolling many lots in the CAGR D as member lands.
- ✓ Very familiar, worked with them since inception, I was part of the team working on the first plan of operations.
- ✓ Quite familiar, I was involved from the beginning – sat there and listened to Karl.
- ✓ Familiar – very
- ✓ Very familiar – I've attended many CAGR D meetings, board meetings, had CAGR D staff come out to meet with our staff individually
- ✓ Fairly familiar, based on our role in water planning in the state.
- ✓ Very familiar, I follow our contract with respect to that. I'm familiar with operations, payments, rates, what water can be used to defer payment.
- ✓ Very familiar. I helped write the law.
- ✓ Attended some meetings and aware of what they do.
- ✓ Extremely, read all their reports and data and budgets. Known Cliff Neal for a number of years.
- ✓ Pretty familiar, through this process with the golf course and AWS. Generally familiar with the provisions that relate to us, but not familiar with the overall governance issues & authority.
- ✓ Somewhat familiar, I was involved in the critiquing of the draft plan of operation, and on the stakeholder group creating the second draft plan of operation. I've just been following the CAGR D for quite awhile.
- ✓ Pretty familiar, everything from when it was created to being involved with it. Serving on the stakeholder committee for the plan of operation.
- ✓ Pretty familiar, participated through plan of ops debates and work daily with CAGR D type issues.

- ✓ I'm not too familiar; I only know what I know from osmosis, I'm not even clear on some of the acronyms.
- ✓ Very familiar, I report on subdivisions every year, and also took part in the stakeholder process.
- ✓ Somewhat familiar, not up on everything
- ✓ Very much so, we've been part of the CAGR D for awhile. We were active participants in the current plan of operation.

Why do you think it was created?

- ✓ It was created to facilitate compliance with AWS rules.
- ✓ Originally, developers didn't oppose the ADWR rules if ADWR would put a mechanism in place, and that was the CAGR D. But, what happens when there really is a shortage?
- ✓ A way for those without their own renewable supplies to meet AWS requirements.
- ✓ Developers would not have to rely on cities to get AWS.
- ✓ About 12 years ago, ADWR proposed new AWS rules; prior to 93 we had rules but they could use groundwater to make demonstration. Only way government would agree to this is somebody had to come up with org to be responsible for providing renewable supplies.
- ✓ Aid land developers and potential municipalities for ways to meet AWS rules, to allow development to continue, and concentrate that effort in one place.
- ✓ To create a means to comply with AWS rules for people not in one of the big cities. The political situation was the Groundwater Management Act passed in 1980, ADWR was not successful in passing rules to implement AWS because of rural development. So, what has happened is an optional CAGR D applicable to only rural areas.
- ✓ Created to facilitate development for the tri-county area because of the 1995 AWS rules. Rules as they were developed would have been much more difficult.
- ✓ Primarily created because certain development interests wanted a mechanism to guarantee AWS without having to use directly renewable resources. Robson communities was the main driver and Karl Polen, was on the Board of the CAP at the time, and he was the primary developer and seller of the concept. But, the whole concept was some had a lot of CAP allocation and others didn't - but that shouldn't be the factor driving where development goes.
- ✓ Created to allow the development community to stay consistent with management goal provision of AWS without having to develop their own surface water.
- ✓ To allow developments to develop on lands where there was no renewable supply.
- ✓ Created to keep groundwater levels up in certain areas within a particular AMA, and I think it's a good goal in AZ. And being able to use excess CAP water to do that is a good approach. The biggest thing we're up against is how much will it cost as we pump excess groundwater?

- ✓ It was created because the cities would never allow the original bill to go into enactment, which forced all the cities to go into it. It's a way to continue development. If not, all small towns and cities would be without an assured water supply.
- ✓ Created to allow development to occur outside of areas that have access to renewable water supplies.
- ✓ The primary motivation was so development could continue. As AWS rules were being enacted, that created limitations. At that time, there were a number of newer areas starting to grow including municipalities that may have had allocations but no access (infrastructure) to it. There was the idea the CAGRDR could be a bridge, a way to help out.
- ✓ In the early 90's we knew we were moving toward AWS, with a high premium on renewable supplies, but it was really impossible to make direct use of CAP water for all but the large cities. The CAGRDR allowed development to occur on ambient groundwater, and an entity that can buy CAP water and pay money necessary to buy it, store it, and replenish aquifer of where it's being pumped. Have to remember that at the time it was a very wet time in Arizona and there wasn't a lot of demand for CAP water.....allowed development to continue but also allowed the CAP water to be used. It's not CAGRDR's fault, the Arizona Statutes allow the water to be stored in the same basin, and AMAs are geologic groundwater basins.
- ✓ The whole thing in the Phoenix area is reduction of groundwater over years and trying to get surface water from the Colorado River. It's a replacement mechanism.
- ✓ To give access to those areas that will be developed that don't have direct access to CAP water. It's also supplemented water providers who had CAP allocations, but not enough.
- ✓ To allow development.
- ✓ Created to permit dry land subdivision development, meaning areas without a surface water supply.
- ✓ The CAGRDR was established in 1993 to alleviate the pressures of the 1980 Groundwater Management Act's assured water supply (AWS) requirements which mandated that new subdivision growth occur, not on mined groundwater (groundwater that is not replaced or replenished), but on renewable water supplies that could be proven to be physically and legally available for 100 years. Faced with being forced to acquire such renewable supplies and build the enormously expensive infrastructure needed to make use of those supplies, the development community and others, including some municipal water providers, lobbied for the creation of the CAGRDR. Formed by an Arizona legislature leery of new special districts, CAGRDR is a "department" within the CAWCD, the entity in charge of operating the CAP. The CAGRDR is the same entity as the CAWCD. Thus, the Board of Directors of the CAWCD is also the Board of Directors of the CAGRDR.
- ✓ The CAWCD, operating as CAGRDR, is required by law to replenish mined groundwater that is withdrawn to serve development on lands and within municipal service areas that are members of the CAGRDR. To become a member land or a member water service area, the landowner or the municipal

water provider must first demonstrate to the Arizona Department of Water Resources (DWR) that 100 years worth of groundwater is physically and legally available to meet the projected water demands of the existing and/or projected growth on the lands or in the service area. Membership in the CAGRDR allows the municipal water provider serving the land to pump groundwater to meet its water demands. Currently, the CAGRDR relies on CAP M&I subcontracts totaling 7,746 acre-feet and excess CAP water to fulfill its existing replenishment obligation. CAGRDR levies a replenishment assessment against member land and member service areas to pay the costs of replenishment.

- ✓ The CAGRDR is required to submit a plan every ten years to DWR describing the activities CAGRDR proposes to undertake during the 20 years following submittal of the plan (Plan of Operation). On October 31, 2005 the Director of DWR issued a Decision and Order determining that the CAGRDR's most recent Plan of Operation is consistent with achieving the management goals of the Phoenix, Pinal and Tucson Active Management Areas (AMAs) The Plan of Operation projects the CAGRDR's "replenishment obligations to reach about 225,000 acre-feet per year for current members and future members that are expected to enroll through 2015". The Plan of Operation also identifies the sources of water anticipated to be used for replenishment purposes and describes the CAGRDR's transportation and replenishment facilities requirements. The CAGRDR plans to use some of the excess capacity in the CAP canal to import the identified sources of water.
- ✓ To address developer concerns about meeting AWS requirements.
- ✓ So developers could develop on groundwater.
- ✓ So developers could develop their land, as a way for areas that didn't have renewable sources so they could be provided.

What do you see as the benefits provided by CAGRDR?

- ✓ Allows people to prove they have AWS.
- ✓ The principal benefit is it allows for implementation of renewable supply requirement of AWS program. Also provides a way to use some of those supplies that would not immediately be put to use.
- ✓ Seems to provide some flexibility in terms of getting more water off the Colorado River.
- ✓ Rather than having individual subdivision representatives or cities looking for renewable supplies, you have one entity whose job it is to do that, so they get financed, experienced, become very proficient at what they do.
- ✓ Makes it possible to have AWS, and the Groundwater Code would have had to be revisited. It's how we'll achieve a balanced utilization of water.
- ✓ Allows us to use our renewable supplies, replacing groundwater use with CAP use.
- ✓ A mechanism that allows ADWR some leeway for dealing with issues they think otherwise under law might not be eligible for AWS, and cause political problems or be unfair to one property owner or another. Great deal of

flexibility. Allowed development of a lot of land that wouldn't otherwise be developed.

- ✓ Facilitates development
- ✓ It will allow a municipality to use the CAGRDR as a fall-back plan in the case of renewable supply shortage.
- ✓ Allows for continued growth in Arizona in a manner that manages groundwater resource the state has within 3-county area
- ✓ Allow developers to continue development in this state without individually finding ways to meet groundwater rules.
- ✓ It's someone else's problem. It's a one stop shop – instead of 50 entities going out and trying to figure out their own AWS and cut deals, now there is only one.
- ✓ One is the type of growth the CAGRDR supports is valuable to the region and state as a whole. The CAGRDR is able to get water supplies that are not 100 year eligible under AWS in a way that takes advantage of those resources having ongoing use. The CAGRDR provides opportunity for tax payers in the three-county service area to get a direct benefit out of the project.
- ✓ Allowed for AWS to be enacted, otherwise it would have been a much bigger challenge.
- ✓ Allows development to occur in areas where direct use of CAP water would be impossible, and yet maintains integrity of basin as a whole.
- ✓ Consistency with the management goal, that's key, in helping them meet AWS. The CAGRDR, in their charge to replenish, is putting water into the ground, not necessarily where it's needed.
- ✓ One benefit I can think of is it allows more sooner use of CAP water than would happen otherwise.
- ✓ It provides cities an insurance policy, from a paper water supply perspective.
- ✓ Allow development to occur outside designated water provider service area.
- ✓ One central point where they can look where renewable sources are available and pull it together.
- ✓ Allows transition period for CAGRDR members to use groundwater on an interim basis until all AWS requirements can be met. – that means whether they are developers or service providers.
- ✓ There are no benefits, it's down to the basic growth question. It encourages sprawl, and not within established service areas, so from my perspective I'd much rather see growth taking place in areas with secured water supplies than with the CAGRDR.

What do you see as the negatives?

- ✓ The CAGRDR is facilitating a lot of growth that is not related to firm supplies of renewable water resources. Growth based on the CAGRDR will replenish obligation, but we don't know what water it will use to do that and the replenishment obligation has gotten very large. Also a water management negative is replenishment doesn't necessarily occur where pumping is, so over time water level declines more in some places than in others.

- ✓ Competition between some of the cities and other state resources for water supplies.
- ✓ The mechanisms in terms of how members land assessments are collected creates a disconnect between what people pay for their water and renewable water supply component. Also because it's controversial, it creates a lot of friction in water community.
- ✓ Perception is it creates an uneven playing field between particularly city water providers with their own 100 year supplies and new MLs and MSAs that can just rely on CAGR. It's easier.
- ✓ Has the potential to facilitate growth that is not well planned, CAGR facilitates growth outside of city boundaries. When growth occurs outside city boundaries, there is a tendency for important transportation, recreation, other quality of life issues to be less well planned. Where they pump their groundwater does not bear much relationship to where it's replenished, <and there is> no requirement to replenish in area of hydrologic impact. That potentially creates a huge problem in terms of long term sustainability and the effect of that groundwater pumping on other water providers in same area.
- ✓ Because CAGR allows development to be groundwater dependent, the effect of that is there hasn't been new investment in direct surface water treatment facilities in CAGR dependent areas. There hasn't been a new surface water treatment plant East of Gilbert and Mesa, because of CAGR.
- ✓ The main drawback is when CAGR was created, the understanding was this would be for entities that would have difficulty in supplying those themselves, or for cities that didn't have the tax base yet to secure supplies – they would join CAGR initially until they became proficient then de-enroll from CAGR. It was meant to be a bridge organization to get people designated and it hasn't turned out that way. They join and people stay there. The amount of replenishment obligation is much greater than they thought it would be, and as a result they're looking for a lot more renewable water a lot earlier than they ever thought. There is no assurance the CAGR will get it, if you join the CAGR it's a pledge they'll do it for you later. It's a little gamble on the part of everyone. It wasn't meant to have this much responsibility and definitely not this soon – a lot of pressure being put on them a lot earlier than anyone thought.
- ✓ No negatives to the CAGR
- ✓ In an ideal world, it would be better to get direct use of CAP water and not replenish. What happens is CAGR can replenish anywhere in the AMA, not necessarily where it's used or needed.
- ✓ Creates an entity that has essentially unlimited resources that competes with other water entities. It's too close to CAP, board has a requirement to meet needs of CAGR and that clearly drives their thinking on a number of issues. So in questions like capacity and who it goes to, questions of how supplies are allocated, those questions are of great concerns to other customers – CAP is basically in a monopoly position. We don't have a wheeling agreement even yet as to how others can participate in wheeling capacity, and already more than 1/3 of that capacity has been allocated. Other people don't have access to the capacity, only three other have reservations for

water farms, one or two of those are moot. There are already things happening that are foreclosing things for others by the fact that CAP is in control of they haven't finished taking.

- ✓ Facilitates development in places where maybe it shouldn't be with regard to access to renewable water supplies
- ✓ CAGRDR allows unchecked growth to develop in areas where there is no renewable supply. Also, there is no cap on CAGRDR and at this point, CAWCD doesn't even know what their upper limit of CAGRDR replenishment obligation is going to be or where they'll get water.
- ✓ Costs for the members. If CAGRDR didn't exist the groundwater would be depleting.
- ✓ Never provided a funding source when they started, so we got behind the eight ball.
- ✓ As it was originally created, it was designed to be only a bridge for a time when CAGRDR services were needed and then designated water provider would take over service – and it has taken on a life of its own. Second, because replenishment obligation is not required to occur in area of hydrologic impact there are some areas, not all, that 100 year groundwater supply is being depleted and that will not ever replenish, and over the long haul that is not sustainable. Third, it has raised the vector of competition between M&I subcontractors who are part of CAWCD and CAGRDR function at the CAWCD.
- ✓ Prevented what could have been positive infrastructure from being built, slowed it down, and now a lot of people aren't moving in that direction. That would have allowed for more direct reuse. Created growth in areas that wouldn't have been originally even looked at as areas for growth. Therefore a lot of the normal infrastructure isn't put in place. I'm not saying growth is bad, I'm just saying it's allowed for it to happen without more thought being given to where it's occurring.
- ✓ Maintaining integrity of the groundwater supplies is a basin-wide problem, and CAGRDR because of its nature is only taxing selected residents. Creates differential between CAGRDR and non-CAGRDR neighborhoods, and I don't know how to solve that – it's a difficult problem. One that the state should look at and give some consideration. We're still in an overdraft status in virtually all the AMAs and need to do something to turn that around and I think CAGRDR can help.
- ✓ Can't say there are any, other than some of the cities view CAGRDR as competitor for supplies, a threat. Creates a competition among supplies, if that's a negative.
- ✓ Allows recharge of CAP water miles away from where it's actually needed.
- ✓ Costly, just the very nature of some of the problems with it.
- ✓ The CAWCD Board of Directors is also the Board of Directors of the Central Arizona Groundwater Replenishment District (CAGRDR).
- ✓ The use of the remaining, limited excess capacity in the CAP canal to wheel non-project water (water other than CAP water) for the CAGRDR and other CAP users is an issue. Since the CAWCD is the State entity that controls the allocation and use of the excess capacity in the CAP canal, the likelihood of

increased competition between CAGR D and other CAP users over the remaining, limited excess capacity in the CAP canal may place the CAWCD Board in an untenable, cross-pressured position.

- ✓ Another concern is CAWCD's open-ended and ever-growing statutory replenishment obligation for the CAGR D creates the potential for the CAGR D to need to utilize the majority of the remaining available space of this valuable CAP asset.
- ✓ Doesn't recharge in the same areas that the groundwater was withdrawn, so it is not a sustainable groundwater pumping. Also, CAP board has a divided loyalty because CAWCD seems to be biased in many cases and favors the CAGR D.
- ✓ If you're a member service area, the CAGR D will become a competitor for development of future water supplies. That's a good thing for members but a bad thing for cities who are trying to find new supplies to service their population.
- ✓ Can't think of any negatives.

What are the “first order” issues that need to be addressed in a CAGR D strategic plan?

Water Acquisition, Recharge and Recovery

- ✓ The CAGR D needs to figure out with more teeth how it will meet its obligations in the future. Water supply acquisition plan in the plan of operation is very loose, just saying the water supplies are out there and we think we can contract for them is different than actually contracting for them. Need to contract for water to meet the obligation. Another issue is should there be a cap on enrollment? Does CAGR D take all members that meet some minimal obligation?
- ✓ Canal capacity -- Who gets priority? What about Johnny-come-lately?
- ✓ Need a finer analysis – there are a large number of folks with gripes, what are the actual issues? Specific issues. Longer range issue that was raised and resolved in the plan of operation process is competition for next bucket of supply. How that happens – is it a race to the river, or a communal perspective on how those supplies get allocated? Because CAGR D is so large and has mandate to do that, and has resources, making sure they do that in a way that brings the rest of the state along with them.
- ✓ Need to work hard to obtain and secure long term supplies. Should be heftier than in the plan of operation.
- ✓ It’s a far greater reliability in long term than short term supplies, and stakeholders for whatever reason got it changed to that. Needs to be more long term supplies in portfolio.
- ✓ In the long term where will they get source of supply, it’s pretty clear all will use their CAP allocation at some point in time. There needs to be more of a relationship between Water Bank and CAGR D – how would water be recovered? CAGR D role is to cover existing depletions to the groundwater system, AWBA is to allow water to be stored so it can be used in future. There’s a tie there, but it’s not a direct link.
- ✓ Tying up permanent water supplies for recharge.
- ✓ Can the CAP M&I customers and CAGR D customers find a way to work together so that both of us benefit in the long run with what each other is trying to accomplish, rather than competing in a way that will hurt the both of us as customers. Otherwise those outside of 3-county service areas may gain an advantage over us. Governance issue, and competition between CAP and CAGR D benefits itself through this idea of the same board and decisions on behalf of the CAGR D might hurt M&I subcontractors, but if you fix number one then number two goes away.
- ✓ How much growth they think will occur, where it will occur, and if they’re responsible for much of it, when and where do they have to make these purchases, and how will they get it to people that need it if they’re way the hell away from any CAP canal. My guess is a big chunk of Superstition Vista will be CAGR D served and there’s a potential for a lot of people and demand even if they build in a manner to reduce water usage.

- ✓ How the CAGRDR responsibilities play a role in the State's water planning for the future and how that gets carved out. There are future issues and if CAGRDR is end all be all to that, and how it fits into the overall water plan
- ✓ Needs to have unfettered access to renewable supplies and not be hamstrung by others who don't want CAGRDR to be there. Perhaps CAGRDR needs to be separated from CAWCD as its own entity. Some people think since it's part of CAWCD there is an unfair advantage in competing with other providers for supplies and CAP will overlook its duties to its M&I subs and give CAGRDR too much authority.
- ✓ Need to require CAP water be recharged where groundwater is actually being pumped.
- ✓ To provide equal access to the limited excess capacity in the CAP canal for 1) AMWUA members, 2) other CAP M&I subcontractors designated as having an assured water supply pursuant to State law and 3) CAGRDR.
- ✓ For the cities, whether they are member service areas or not, the CAGRDR will become a competitor for development of future water supplies. That's a good thing for members but a bad thing for cities who are trying to find new supplies to service their populations.

Capping Enrollment

- ✓ They'll have to cap it to ensure they have enough supplies to meet that cap.
- ✓ A serious discussion of under what scenarios would be put limitations to membership for the CAGRDR. Having a good discussion of pros and cons, perceived and actual positives and negatives that have resulted from CAGRDR. As a caveat, I know there's the plan of operation, I think a lot of that, we were proceeding on "we've got to do this, we're required to do this, so we need to work on it". And while there was definitely plenty of sensitive issues that came up, we didn't directly discuss them head on and I think that's what this needs to do – needs to ask the really hard questions and really flush it out. You can always take something and make it work, but there are other fundamental questions – is this the direction we want to go, is the CAGRDR positive for what we envision Arizona to be, is there another option to the CAGRDR?
- ✓ Uncapped enrollment is a problem, whether it's perceived or real. I think the lack of definition of what CAGRDR needs to be when it grows up. It's not so much the CAGRDR as it is the state leg needs to understand issues with CAGRDR, and why it just can't be an open checkbook. A lot of debate – are they just replenishment district, are they an alternative water deliverer, perhaps to fringe cities (west of white tanks) they become a direct deliverer to them, more of a wholesale provider, but can't do it in their current form.
- ✓ The key issue now is the capping of membership, which has to happen. That will have a direct impact on growth. Also need to think about continuing to have a quality work plan in place both short term and long term.

Address the Governance Issue

- ✓ Address the issue of governance. Fosters an environment of mistrust and they have to hit it head on. I think there are several ways to solve it, separate

them, different board, limit CAWCD's ability to allocate resources, that's when it comes to a head. Or by contract decide ahead of time how those will be allocated and come up with mechanism everyone thinks is fair, could cap CAGR D enrollment.

- ✓ CAGR D has grown substantially, time for them to expand financing mechanisms to be able to borrow money to finance large scale infrastructure to fulfill its mission to its members. Develop resource plan to do its job.
- ✓ The relationship of how CAP board treats CAGR D versus other customers. There's a great danger that CAGR D will become like a black hole and suck everyone into it because there are no alternatives. CAP board can reserve whatever capacity for CAGR D, so other entities that would otherwise want to maintain their own designations of AWS, must either choose not to grow or will be forced to join CAGR D as MSAs because they're not allowed into the game.
- ✓ Governance, CAGR D actively competing for water supplies with customers of the CAP while being governed by the CAP board, as a board that represents customers. It's a touchy situation. CAGR D is the 800lb gorilla. Fundamental question is whether CAGR D and CAP board should be the same.
- ✓ The CAGR D is treated somewhat as an unwanted nuisance by CAWCD, which bothers me. I think it's a valuable part of Arizona's overall water management plan. It performs a very valuable function and should be treated with respect, and doesn't seem to be – it seems to be treated as a liability. Comments I've heard are not uniformly supported.
- ✓ The governance needs to be dealt with somehow. Also, how do you limit enrollment in the CAGR D because clearly there will be some point at which there is no water available, and that puts us all in an awkward position competing for water supplies – it wasn't supposed to do that.

How do you feel about CAGR D's governance?

There are no reasonable options

- ✓ It would be difficult to change things now, and I'm not sure what would be served by that. The CAGR D does really need to stand on its own as an entity and not any favored treatment or disfavored treatment relative to CAP water. From very beginning focus has been on use of CAP water because there was excess, now that's dwindling and may go away. Needs to look at supplies other than CAP water in a fair and even handed way. If it can do that in a fair way, I don't see a rationale for changing governance. Original reason for putting it in CAP was not to add another layer of government, there is already an existing layer of government. I'm not saying things don't change, and costs don't outweigh benefits. I'd need to see what the benefits of changing them would be – I think concerns related to it could be addressed through policies and procedures.
- ✓ It's fine to have it under board of CAWCD. If they start getting additional water supplies out of CAP, I believe that could change in the future and possibly should change. If CAGR D continues and gets additional independent source of supply that would be a time to break off. They can currently work it out with CAWCD and perhaps be a preference customer, but as it grows so we can all get AWS then that may be a time to have a separate board governing CAGR D.
- ✓ I don't see removing CAGR D board from CAWCD is a positive solution that would cause other different problems.

Keep the CAP Policy Board and the CAGR D Policy Board one-in-the-same

- ✓ It's fine.
- ✓ I do not believe to date the governance issue has been a problem, there's a perception it has been. I don't think anything so far has caused a real conflict between CAGR D and M&I function of board. But it could end up being a problem where, an example of that is over the wheeling capacity. If they bail on interim set asides for wheeling, then there's a problem. (105K for CAGR D, 100K for M&I, 100K for other). Interim set aside for CAGR D is starting to take on a life of its own. In original draft plan, CAGR D laid claim to as much as they can, all of NIA water that was freed up under the Arizona Water Settlement Act, while CAWCD board doesn't have auth to allocate that water, ADWR does. In past there's been a strong connection between allocation scheme and what ADWR wants and what the board decides. CAGR D now says they're going to compete over water supplies with M&I customers. That was through a stakeholder process.
- ✓ I'm comfortable with it. There have been discussions about a stand-alone board, I would certainly entertain that but as of right now, that may change. It's important to know the governance issue, like capping membership, is a dialogue that will need to take place in the not too distant future. That doesn't mean I'd support a change, just that the dialogue needs to occur.

- ✓ I hate to create more bureaucracy, but I guess it's okay as it is – both their goals are the same.
- ✓ It's okay, but I know the cities object. I don't think it's a problem to revisit. I hear they think there's a conflict of interest, but I don't.
- ✓ I think from what I know, it's fine. I don't really know, but it seems fine to me.
- ✓ It's fine, issue is largely mischaracterized. What need to be clarified are the policy positions of CAWCD board acting on CAGR. There are perceptions that there is preferential treatment and there is no statutory guidance about how the CAWCD should treat CAGR. I don't think it would address the issue to have separate governance. Be careful what you ask for, I've been generally quite pleased and impressed with CAWCD board for CAP and CAGR in terms of having a broad water management perspective. It might lose that.
- ✓ It is appropriate, and I don't see a conflict. But by same token, I could see where one might get impression. It's like an attorney with two clients, how can they represent each equally, they can't. I don't think they can completely insulate the CAWCD from CAGR, and CAGR was meant to provide renewable supplies without direct access to CAP water. CAP was the only entity there was CAP to handle it. If it has a new board then will it go to the other end of the spectrum and only serve the M&I.

Create a separate Board for the CAGR

- ✓ I have issues with it. I understand the reasoning, but I do feel it gives an unfair advantage to CAGR to be under umbrella of big brother CAP. Unfair when it comes to water supply, there is no way the CAWCD will allow CAGR to fail. Optimal solution would be to be a state entity and out from under CAWCD, but NOT under ADWR.
- ✓ In the future, there's a possibility of the CAWCD trying to serve two masters, CAGR which will be one of their largest customers and then all the cities....there will be conflict. They'll still be sub of CAWCD, but really need their own board.
- ✓ I personally do not believe it should be in CAWCD. It should be a separate entity more under ADWR and the state as a whole rather than CAP.
- ✓ The same board is governing two agencies with two separate and distinct missions. That causes them to not consider the CAGR as a customer. As the CAP Board, they tend to be biased, whether it's conscious or not. I really think it needs a separate board.
- ✓ The problem is NOT with CAGR/CAWCD Board Members or their decision making process. The problem is the legislative construct of CAGR & CAP. As indicated above, the CAGR is the same entity as the CAWCD. Thus the CAGR Board is the CAWCD Board. The possibility of competition between the CAGR and the CAWCD's municipal subcontractors over water supplies and on other issues may place the CAWCD Board in an untenable position. The CAGR's legal replenishment obligation could force the CAWCD to favor the needs of the CAGR at the expense of the CAWCD's CAP municipal subcontractors.

Not sure what the Board should do

- ✓ The CAWCD Board of Directors is also the Board of Directors of the Central Arizona Groundwater Replenishment District (CAGRDR). Past and future decisions made by the CAGRDR/CAWCD Board have affected and will affect CAP customers.
- ✓ If there's a perception the CAWCD cannot act independent of obligations, then perhaps it should be separated. By same token, by separating it and not giving it independent authority, it's like divide and conquer. If they separate it, it has to have its own authority.
- ✓ It concerns me that some of the board members don't even get that there is no CAGRDR, it's just a department of CAWCD. It's just a division of CAP. Some people on CAP Board think that CAP and the CAGRDR is same relationship. There is no CAGRDR board, there is CAP board that periodically sits as a CAGRDR board and looks at those issues. In a practical sense, as long as you have CAGRDR, there is probably no one better to manage than CAP staff, but we may need to create a degree of separation and a greater equivalency with obligations under contract to their customers. Everybody wants this to work and we recognize as an interim solution, it's okay, but it doesn't have long term stability – it's helping us to avoid the question do we place limits on growth in AZ or push the cost of water up to where that effectively limits future water demand. CAGRDR transfers cost of the long term water supply into the future. The big costs are pushed into future onto member lands and member service area and they'll be big costs. Probably in 15-20 years, we'll be seeing well over \$100/housing unit property tax for CAGRDR. If price of CAGRDR water goes to as projected well over \$500, that number would double. It is a major deferred cost mechanism. Question of wheeling, existing excess capacity, and question of increasing capacity in canal, and finally once you've done those things, where do you go next?
- ✓ I don't have any embedded philosophy about the board being for both or not, it was put there because at time of creation, it was intended to use excess CAP water. As things progressed and competition got more severe, CAWCD is very sensitive to large municipalities. I feel there's a conflict when the board of directors is in direct competition with one of their subsidiaries. I don't think anyone saw it coming or that there would ever be a problem – but it's become a large one and some of the source of this negative attitude to CAGRDR. I don't know it can be overcome given the personalities on the CAWCD Board. They have conflicting allegiances.
- ✓ Don't really know. I've heard people say there is an advantage to CAGRDR over the cities who are seeking renewable supplies. Whether that happens and whether there's intense competition and it ends up pushing up costs or they can somehow work it out. Compromise on who goes after which sources for the future. Nothing has happened thus far that would cause me to think having the same board of directors is a bad thing.
- ✓ If they stick as CAGRDR and we are utilizing them as insurance policy, it's not a bad thing for them to be in the CAP, because it makes them look strong. On the flip side, the Board of the CAP is CAGRDR, so CAGRDR is somewhat of

a stepchild, and you take care of those. What they need to be is a separate entity so perception of competition, perceived or real amongst other valley cities is more of a level playing field. If CAGR D wants to swing to the other side of the spectrum of becoming a wholesale provider, then the governance is wrong. It's a question of competition for supplies because they appear to instantly get what they want.....governance – not the way it's elected, it would need to be set up differently. It's not representative. You're not representing counties anymore, you're representing water providers (the people that use them).

- ✓ I can understand in ways why it was put with CAP, but I think there's a growing problem of the CAP board giving preference to CAGR D (and I think it's already started in ways) above that of the customers of the cap because it has to protect or watch over the CAGR D. That may not be the best approach for the cap as a whole, if you start worrying about how there's the water supply and capacity in canal for CAGR D, you have the potential of ignoring the customers that are the whole reason the CAP exists. There could be a lot of benefit if it was a separate board, but I'm not sure what that model would look like. If it's not separated, then I think CAP board needs to make some very clear boundaries to give assurance to its customers that CAGR D won't have any preferential treatment.

What do you think CAGR D's role should be regarding management of growth in CAWCD's three-county service area?

The CAGR D should not have any role in growth control

- ✓ I don't think the CAGR D should be focused on managing growth. Other people in water community should be involved in that, but not a CAGR D role.
- ✓ The traditional view is they don't have a role, I think that's appropriate. That's the State's role. So long as CAGR D has met its requirement to get supplies, decision about whether or not growth should be allowed is a state level decision. That's where an actual governance issue becomes problematic. Having a 15 member board determine growth I think is inappropriate.
- ✓ Just like ADWR says they're not in business of regulating growth, just in the business of anticipating and accommodating growth in best possible way from a water management standpoint. So I'd say it's not a CAGR D responsibility, it's local or county responsibility. But many local or county entities do not address growth responsibly and if they don't, who will? Don't think it should be the CAGR D, but growth is not being responsibly addressed.
- ✓ I don't see how they can have a role – their job is to facilitate AWS rules
- ✓ They shouldn't have a role in managing growth – county supervisors and city councils should make their own growth decisions.
- ✓ I don't think they should have any role – their business is to do exactly what was envisioned by its organic legislation – develop groundwater supplies and use them to replenish groundwater basins. Don't think it should be used to manage development.
- ✓ They shouldn't – should be left to local communities with state role in that as well. CAGR D is simply filling a role with consistency with management goal and replenishment of supply.
- ✓ Historically, Arizona has always allowed local governments to manage growth (both in quality and quantity). It is not CAP's role to manage growth. CAP's role should be to secure water supplies and make sure the cost to deliver water is distributed appropriately. (Existing CAP users should not subsidize new CAGR D members). However, the issue of unlimited water supply needs to be addressed.

The CAGR D has no role in growth management, but does have the responsibility of assuring it can provide the water it has guaranteed when called on to do so.

- ✓ They don't have a role. I think CAGR D should be able to limit enrollment.
- ✓ I don't think CAGR D has a role, legislation explicitly prevents it from controlling growth, that's left to local subdividing authorities, and to ADWR. But it sure can light the beacon and point it toward those that are benefiting so they see what future is like.
- ✓ They need to take a serious look at how many subdivisions they're willing to support, this relates back to capping. Their first responsibility should be as a

back up for municipal supplies vs. letting continuous development occur in areas where there are no renewable supplies.

- ✓ They shouldn't control growth, but should manage impacts of it. If a certain area was being developed, they should look at how will that impact groundwater resources, work closely with ADWR and other water providers – basic role of CAGR D is to allow for water providers to continue to pump and get AWS. As a member service area that's a requirement of our AWS. If municipalities grow, the town should decide if they want that growth, what CAGR D should be saying is can we as an organization have this water provider become a MSA, how will we satisfy that water requirement.
- ✓ The last time the state tried to do that (Growing Smarter), I believe 100,000 lots were platted to get in under it. So 10 year plan expires in 2015, if you said 2015 was the end you'd have a large land rush. CAGR D needs to work on long term water supplies and how they acquire them and how do they get those to areas that need it. When they try to close the door in AZ it's backfired.
- ✓ First, the CAWCD has no authority at this point because if the proposed entity joining CAGR D gets the go ahead from ADWR, then CAGR D board has to approve their membership. They have no authority to tell them no. Second, indirectly they have a role in controlling growth, in getting involved in debate over shortage impacts and subsidence discussions regionally, there will be a time when new membership can't be approved for CAGR D members because there won't be enough water. Third, the debate on whether CAGR D should be involved in growth control, is linked to recovery plan for bank water for a variety of purposes including making M&I customers whole during a CAP shortage, Nevada water bank recovery, localized impacts, like managing the aquifer and if we can do that successfully, or if there will need to be a cap as part of that management scheme.
- ✓ They exist to facilitate growth, so it's a weird thing to think about the CAGR D now managing growth. I'd like to see some authority given them to deny membership or something else if in their judgment the supply or development is not sustainable. But I also recognize they will come up against opposition if that is something that is attempted because the development community pushed for the CAGR D as an alternative to completely torpedoing AWS rules and I wouldn't want to see them torpedo those completely. The CAGR D is not the best of all worlds, but without AWS, and they're allowed to develop on groundwater, that's not a sustainable solution.
- ✓ That's the \$64,000 question. Water needs to be a primary subject matter in terms of growth management because I'm afraid we're going to end up – how much is enough? We've never used water as a growth management planning tool, but that was before we had different competitor for a limited supply. I'm still not a fan of growth solely dependent on groundwater. The long term availability of water supplies must be part of growth management discussion. Water availability can be used for managing growth. Given the CAGR D's responsibility, they are an important player in that discussion. Operational issues in terms of recharging in areas outside the area of hydrologic impact should be an individual discussion between the CAGR D

and the specific CAGR D members. Direct relationship between capping membership, then new development will have to bring with them new water supplies, given that, indirectly they have a role in managing growth.

- ✓ They shouldn't be directly involved in management of growth, but if you require CAP water to be recharged where groundwater is being pumped, that on its own would manage growth. Growth would be managed in fact, the hydrology of area would dictate where growth could be. If it's not hydrologically possible, then you don't do it, so it's not really CAGR D deciding.
- ✓ The legislature needs to understand about these issues, right now CAGR D, this issue is not on the legislature's radar. I don't believe you can cap enrollment without engaging them. That goes back to needing to educate legislature on why you cap enrollment, and then what do you do next. Do you tell Tonopah, the CAGR D is done – go get another water supply? I don't think water buffalo community can just say we're going to cap it, it was originally attorneys who said we need a way to develop and created it. So if you're going to cap it, you can't just do that or they'll come back out of the wood work and change the law, which I don't believe is in the state's long term best interest.
- ✓ The CAGR D does not have the legal ability to refuse membership to any land or municipal provider that applies for membership absent some sort of determination by the ADWR that CAGR D is or may be unable to fulfill its replenishment obligations. The CAGR D cannot grow forever. Assuming the CAWCD wishes to be a leader in the Arizona water community, it (or others in Arizona's water community) may be obliged to explore the political and economic feasibility of limiting the CAGR D's membership or capping the CAGR D's replenishment obligation and the attendant repercussions. At the very least, it may be necessary to develop criteria that would allow the CAWCD to accomplish either objective absent the DWR determination noted above.
- ✓ Managing growth is like asking "how high is up". They should have input on water availability, because wet water is important. They certainly ought to have input into it and looking at the areas and giving their opinion of availability of water from their role.

Really not sure what role the CAGR D should have in growth

- ✓ I struggle with this all the time. They facilitate growth. There's an issue in my mind of CAGR D based growth in groundwater basins that are not currently suitable for replenishment. The question seems to be whether CAGR D should play a role in either not facilitating that development or play a role in creating infrastructure to bring renewable supply.
- ✓ That has to be determined by state legislature, if state wants to give them that role I wouldn't have major issues there. CAGR D has a mandate given to them, and they ought to fulfill that.
- ✓ What will happen is what's happening in Pinal County. We're setting up a new west valley with all these subsidence, fissures etc. They'll appear in 20 years. And there needs to be a hydrologic connection. I know CAGR D does

it's best to try and match the two, they understand the issues and they know it best.

The CAGR D has an indirect role in managing growth

- ✓ CAGR D has to at least admit and recognize that it's impacting growth – you can't ignore that. The way the statutes are currently written there's nothing they can legally do to say no. It might be positive to revisit that, but it'll open a can of worms, but we have to be honest and say it's happening. Maybe look at how we can strengthen checks and balances or how they can be better implemented.

Are you familiar with the water supply acquisition plan laid out in CAGR D's recently approved Plan of Operation? If so, do you have any comments regarding the plan?

The Plan is solid and the process was good. We should be proud of the work

- ✓ I like it. Getting there was difficult. I like it because it came out of one of the better processes that have been done in recent memory. Really did seek to balance views of the members, cities, departments and the fact it came out a 50/50 mix is a convenient thing. CAP has clearly demonstrated they can put together the resources necessary to do it – that was phenomenal; a lot of incredible analysis went into that. First 5,000 they try to get from CRIT will be enormous – puts the burden on CAP staff to work out the details. But raises the issue, do we do that as a collective exercise, or as an atomistic each goes out and seeks its own.
- ✓ It's good. They projected demand over time, then they identified sources of water they could probably get their hands on. Good solid effort.
- ✓ Think CAGR D did a fine job.
- ✓ No comments. I'm comfortable with the plan. The concern is the CAGR D becomes a competitor with individual service providers for water supply. We need to avoid market panic in the search for future water resources.
- ✓ It's a good idea, I know CAWCD is looking at new sources of supply, and if CAWCD gets those and is the controller of those, there may not be a need to have two separate boards. But if those were turned over to CAGR D.
- ✓ It's as good a compromise as possible without going everyone's oxen. A lot of compromises were made to make cities feel comfortable of next water supplies.
- ✓ I commend CAGR D staff on the stakeholder process that occurred. Positive experience. Big concern was if CAGR D is having to find/increase more water, and therefore competing with municipalities for that water. That's the biggest concern. It tried to address that, found ways to reduce that obligation and found ways for other various source of water, but I think that worry about competition is still there. Plan of operation is a patch on the dam, but it doesn't mean the dam is completely fixed.
- ✓ It's as good as it can be under the circumstances, predicting way out in the future. It's a very solid plan.
- ✓ It was a great collaborative, inclusive process. I had problems with them wanting half of NIA water.....they just all of a sudden said they want half, and everyone asked why do you get half. One of the strengths of the CAGR D is it is a replacement of a water supply you've already pumped and that's a good thing. And that's a benefit of why we should have a CAGR D....to cobble things together to make it a long term water supply.

Concerns about the Plan

- ✓ They need to secure more long-term supplies.
- ✓ Is there truly a need to put a cap on ultimate growth of CAGR? That question involves more than just at a gross level is there enough water for the CAWCD service area, M&I and CAGR, it also brings issues of is there enough water in the State of Arizona, and what impacts in 3-county service area if that continues, subsidence, drought protection, two biggest things in my mind. There may not be enough water in a shortage year to do that, and impacts like subsidence from groundwater pumping may cause serious problems for M&I and CAGR customers, whose service areas overly each other. And where replenishments not taking place in area of hydrological impact.
- ✓ It's very nebulous and it will take time for contracts and agreements for water resources to take place. It doesn't have water supplies in hand to meet obligation, it'll have to go out and find those. I personally believe it will take time to develop them and we don't have experience with those type of agreements. They need to soon get into acquisition.
- ✓ And related to this is this whole question of the CAGR competing for same water supplies other water providers may be going after. There's a whole question of what is the order? Who's in line first, if anybody? That's a real issue that will have to be grappled with the water community. CAGR and subs to cap will have to work through that, and that's a pretty big issue.
- ✓ They are overly optimistic in terms of supplies they think they'll get. I think there'll be a lot of competition for those. They have a competitive advantage for that because of CAWCD, example of that is 105,000 AF of capacity they've also received from the Board is blatantly unfair. I have yet to receive any justification from any staff member for why they received that, other than "they need it". Developers now can use reclaimed water for turf instead of offsetting groundwater pumping, think they should have to do that first before being used for turf – it's just bad policy.
- ✓ CAGR is trapped between a rock and a hard place. If they go out and publicize true cost, it's a public document and people selling those supplies will have access as will anyone. So they projected prices based on historic prices that have not been tested in many years and were part of a larger deal. Based projections on that, and current rate schedule is set up to raise those things based on projections.
- ✓ I have issues with it – in direct competition with same water sources that municipalities are seeking.
- ✓ I believe they're targeting a price for reclaimed water that's low by at least one order of magnitude – at least. Generally what you see in water world is we underestimate the cost of water in our planning processes. We're starting to see high prices in California - \$20K-\$30K an AF, up to \$53k AF in Reno area. I don't know that we'll see those exponential increases between now and 2015 in terms of growth – it all depends on how much water CAGR can acquire now for the future.
- ✓ The CAGR has no independent authority to deny membership in the CAGR as long as the lands or service areas meet the statutory requirements for membership. However, if the CAGR does not meet its

replenishment obligation or if the Director's determination that the Plan of Operation is consistent with achieving the management goal expires, a member service area will lose its designation of assured water supply and no additional land or service areas may join the CAGR. Unfortunately, however, because the CAGR submits a Plan of Operation to DWR only every ten years, it is entirely possible that enrollment of lands and service areas may exceed the CAGR's replenishment ability.

- ✓ In December 2002, the CAWCD adopted a "Policy for Use of Excess Canal Capacity" that establishes a framework for the future use of excess CAP canal capacity by the CAWCD and its customers, including the CAGR (Policy). The CAP canal is the only currently available facility to transport imported water. The Policy assumes that up to 300,000 acre-feet of excess canal capacity is available for delivery of non-project water. Of this 300,000 acre-feet of excess canal capacity, the CAWCD approved "interim set asides" totaling 53,000 acre-feet per year for the Cities of Phoenix and Scottsdale for delivery of non-project water from water ranches purchased prior to 2002. The Policy also sets aside up to 3,460 acre-feet per year of excess canal capacity for the CAGR to wheel Scottsdale's Harquahala groundwater and additional excess canal capacity for use by the CAGR to meet a portion of its current and committed replenishment obligation. The Plan of Operation identifies a need for up to 105,000 acre-feet per year of canal capacity to wheel non-project supplies for CAGR purposes. Thus, it appears that 161,460 acre-feet per year of excess CAP canal capacity has already been spoken for, leaving only 138,540 acre-feet available for future use. Already, some CAP M&I subcontractors have indicated an intent to import additional non-project water using the remaining available excess capacity in the CAP canal to meet future customer demands. Clearly, the remaining available excess capacity in the CAP canal is limited and may be insufficient to satisfy all the demands that may be placed upon it.

The Plan doesn't go far enough

- ✓ Didn't go far enough – they were hamstrung, original draft Plan of Operation showed CAGR going after half of the NIA CAP allocation, and cities were up in arms against that. So they watered the CAGR's supply plan down to where it didn't identify supplies that realistically it should have been targeting. It doesn't limit them I don't think, but the fact it's devoid of some of the detail is a result of the cities wanting to limit the CAGR's competition for those supplies.
- ✓ It's interesting to me, I know there was a lot of negotiation, they were trying to acquire some long term supplies in competition with municipal supplies, to get even down to 50% of long term supplies. It puts those who are not grown up enough yet to possibly be forced into membership with the CAGR.

How should the CAGR D be focusing its resources over the next 10 years?

Future Water Supplies

- ✓ Look at water supplies relative to replenishment obligation, is there some limit to that. Also CAGR D does these forward looking projections and as they have more experience, they can look at how good their projections have been – do some type of sensitivity analysis. What if we're wrong – we're too high or not high enough? What are implications? Another thing is to take a rolling look at replenishment obligation, and I think even DWR might request that of them. A midpoint look, midpoint course correction.
- ✓ Continue to do exactly what CAGR D is mandated to do – secure those sources of water to meet your projected needs over next 10 years, also make recommendations and consider long term growth of valley and expectations that may be placed on CAGR D and make recommendations as to how viable they think they can be in meeting that overall growth anticipated and projecting where other tools may be needed to step in.
- ✓ Looking at additional supplies it should be looking for and securing those.
- ✓ Need to spend a lot of money on actually acquiring and moving supplies. As an institution, it needs to clarify and increase its profile, more clearly define how it fits within water community and how it relates to growth. That's partly an exercise in PR and partly in being more transparent. CAP is not especially transparent on a lot of things. How they see themselves relating to acquisition things and how that impacts other providers, make sure there's a process to do that. We undermine credibility of water management if we continue to say the CAGR D is just so developers can get water.
- ✓ Look for a long term supply, but ensure either 10 or 20 years worth of it. Being able to provide replenishment services they said they'd provide to those who have signed up, and are built and generating a demand.....then securing more future renewable supplies they are not yet obligated to do but will be shortly. They need to do that or someone else will beat them to the punch.
- ✓ Securing all supplies, but need to focus as much as possible on securing at least the amount of long term supplies in plan, if not more. That's what they should be doing.
- ✓ Moving into more permanent supplies and beginning process of acquiring supplies for the long term.
- ✓ We not only need paper water, but the wet water too. Need to focus where that will come from, and what to do when one supply may not be available. Identify a source, and what if it's unavailable – what do we do next?
- ✓ CAWCD as Non-project Water Provider. - The CAWCD's strategic planning process is expected to define not only how it sees its role in the development of State water policies but its role in the acquisition and/or delivery of non-project water to meet future demands in its three county service area. Future demands include the CAWCD'S statutory replenishment obligation for the CAGR D and the customer demands of its CAP M&I subcontractors. The limited excess capacity remaining in the CAP canal will be used to import

non-project water to meet some of these future demands. The final definition of the CAWCD's role, if any, in acquiring and delivering non-project water will prove arduous.

- ✓ Canal Freeboard. - The CAWCD estimates another 300,000 acre feet of canal capacity could be realized by raising the canal freeboard and selectively increasing the pumping capacity at the various pumping plants along the CAP canal. This will not be an inexpensive undertaking and may prove necessary if growth continues unabated. As always, who pays and how and who benefits are issues to be addressed. The CAWCD's obligation to the CAGR D will also be an issue in any expansion of canal capacity.
- ✓ Putting in infrastructure such as replenishment basins and acquiring long and short term supplies.
- ✓ Looking at acquiring non-100 year AWS water on their own, and looking at partnering with M&I subs on acquiring 100 year AWS water with them. I do believe there's a place in CAGR D world, at least now, they should be looking to acquire 100 yr /AWS water like we do, we have replenishment reserve obligation. I don't expect CAGR D to be forced to go out in market while M&I subs can go out and buy cheaper water. There's a balance there. They can use for their purposes a lot of water supply we can't, so it would be good business for them to use those to reduce the competition. They should be looking to implement their plan, also very closely looking at their growth projections, to see if they're in line with what was projected, and also their cost of doing business projections in plan. I don't want to see CAGR D as a whole get caught short on money, otherwise individual homeowner will be on hook, developer who should have paid more up front will be long gone. They should also look at whether or not current policy of spreading cost equally amongst all members is something they want to continue out into future, that means existing members will pay increasingly higher rates to pay for growth, and some municipal entities like phoenix, are starting to raise money through various means in a way to make growth pay more of its own way. They ought to consider going down that path as well.
- ✓ Competition for CAP Water. - In addition to continued use of excess CAP water, the Plan indicates that the CAGR D will work to obtain rights to use other CAP water supplies held under long-term contracts or subcontracts. These other CAP water supplies include transfers of CAP M&I subcontracts, including a portion of the subcontract held by the Arizona State Land Department (SLD), a transfer of the CAP agricultural subcontract held by the SLD, leases of Indian CAP water, and non-Indian agricultural priority CAP subcontract entitlements that have been relinquished under the Arizona Water Settlement Agreement. Other municipal providers, and not just those located in the CAWCD's three county service area, will be competing with the CAGR D and each other for these same sources. There is concern that the institutional relationship between the CAWCD and the CAGR D may preclude a level playing field between the CAGR D and the CAWCD's CAP municipal subcontractors.

Replenishment Relative to Groundwater Pumping

- ✓ The whole question of replenishment relative to groundwater pumping. This is more of a broader context on how the CAGR D operates. How long can we keep pumping certain aquifers without replenishing in that area?
- ✓ Trying to get the rules changed or the membership requirements changed so CAP water is recharged where groundwater is actually being pumped – groundwater replacement with CAP water.
- ✓ Recharge/Replenishment Facilities. - Current CAWCD policy, which is not inconsistent with statute, states that the CAGR D will accomplish replenishment by storing water at facilities that are hydrologically sound and that are either generally located as close to member groundwater pumping as possible or located in areas that provide water management benefits to the AMA in which the member groundwater was pumped. It is anticipated that future recharge needs will outstrip future recharge capacity. As competition for the use of recharge facilities increases, the CAGR D may be forced to abandon the CAWCD's recharge policy and recharge at facilities located far away from the CAGR D member's pumping or at facilities where water management benefits to the AMA would be minimal. Abandoning CAWCD's recharge policy may lead to draining the aquifer near the CAGR D member's pumping and could also be detrimental for the management and use of the entire regional aquifer

Direct Deliveries of Surface Water

- ✓ Should look into the possibility of direct deliveries of surface water. Should try to move away from paradigm of recharge and recovery – explore direct deliveries, it's more sustainable. There are difficulties, but we're a creative group and we can come up with solutions. Should do a better job of partnering with other regional water providers in terms of infrastructure and in terms of possibly effluent use. There are opportunities they can take advantage of that they're not currently – they're too focused on recharge. For their own sustainability, should address issue of recharging in area of hydrologic impact.

Developing and Defining Its Future

- ✓ Focusing its human and financial capital on developing a vision to be a leading agency in enhancing water supplies for central Arizona.
- ✓ Need to address its efforts to resolving governance issue – it's a concern enough where it needs to be addressed. Should also devote its efforts to maybe even obtaining some additional authority, an ability to deny membership, come up with a way to limit growth.
- ✓ Growth: Open Enrollment/Capping the Replenishment Obligation. The CAGR D does not have the legal ability to refuse membership to any land or municipal provider that applies for membership absent some sort of determination by the DWR that CAGR D is or may be unable to fulfill its replenishment obligations. The CAGR D cannot grow forever. Assuming the

CAWCD wishes to be a leader in the Arizona water community, it (or others in Arizona's water community) may be obliged to explore the political and economic feasibility of limiting the CAGR D's membership or capping the CAGR D's replenishment obligation and the attendant repercussions. At the very least, it may be necessary to develop criteria that would allow the CAWCD to accomplish either objective absent the DWR determination noted above.

- ✓ If nothing is done to slow down rate of growth, then we have probable collision of immovable object and irresistible force. If growth continues since plan was adopted, we need to do that sooner. I'm not sure there is a way to refocus resources. Resources of CAP with respect to CAGR D should be used to work out modus vivendi with paying customers to pay its bills and future customers of CAGR D.
- ✓ The main focus on ensuring they can act as back up supply for municipalities that belong to CAGR D. They should benefit before we allow further unchecked development.
- ✓ Need to decide what they want to be - need to attack some of these other policy question. Need to in long term figure out how to educate legislature if there are any changes, and some objectives outlined in plan of operation, move forward with that.
- ✓ They really need to look at how rates are impacting existing customers. Need to meet statutory requirements in terms of the amount of groundwater they need to recharge in each AMA, with respect to the volume of groundwater that needs to be put back into aquifer.
- ✓ Need to meet their obligations, question is how many more obligations does it need to take on? And they'll need water supplies for those obligations, and they'll need to secure those. CAGR D becomes a means for a number of areas and water providers to grow, and is that the direction we want Arizona to go? How do we want growth to occur – what's the best water management approach? Is it better to ensure direct delivery to certain areas rather than be dependent on CAGR D approach, which involves a lot of paper water.
- ✓ The Institutional Relationship Between The CAGR D and The CAWCD. - As indicated above, the CAGR D is the same entity as the CAWCD. Thus the CAGR D Board is the CAWCD Board. The possibility of competition between the CAGR D and the CAWCD's municipal subcontractors over water supplies and on other issues may place the CAWCD Board in an untenable position. The CAGR D's legal replenishment obligation could force the CAWCD to favor the needs of the CAGR D at the expense of the CAWCD's CAP municipal subcontractors. Discussion of ways to avoid such an outcome may be **imperative**.

Other Recommendations or Suggestions

- ✓ Get the desalter running, trying to look at means of increasing pumping down here. I have a hard time understanding when it's CAP and CAGR D, they're in bed together so to speak.
- ✓ From a self-serving standpoint, in the southwest valley I'd like to see the CAGR D get directly involved in construction of a brackish groundwater

treatment facility. We have a waterlogged area with plenty of water, but poor quality. Develop that new supply in our own backyard. Key issue is how do we dispose of brine. For the long-term, working cooperatively with other water providers in development of additional resources.

- ✓ It's not a CAGR D problem, it's one we've all created.
- ✓ It's helpful to look at trying to do some larger scale projects, even if it required a partnership with CAWCD or someone else. CAGR D is well funded and able to do its mission, but I'd like to see mission expanded to incorporate larger scale projects to expand state's water portfolio. They're in a unique opportunity to do that. If CAWCD wanted to, they could make CAGR D a pre-eminent leader in water field, but because of negative attitude they seem to be inclined to keep it. Doing some kind of large scale desalination plant and delivering de-salted ocean water to co river contractors, so we can take more into central Arizona. Or cloud seeding, water modification techniques. Conservation is a good idea, but you're not going to pick up large quantities of water, particularly in CAGR D's realm, because they service brand new developments which are very efficient and come in well below water use patterns.
- ✓ Need to increase pumping in Yuma to manage the groundwater mound, so it's not deleterious to those crops.
- ✓ Getting water assurance, verifying everyone has that 100 year guarantee, then if not, go after those people. Enforcement will be a big one in the future.

What is the most important thing you think the CAGR D should be doing?

Resolving CAP vs. CAGR D

- ✓ Resolve governance issue – it's a train wreck waiting to happen.
- ✓ Everything they can to ensure reasonable concerns of all their other customers, particularly M&I subcontract customers, are addressed as effectively and with as much commitment of energy/resources in CAP as CAGR D is receiving. Right now CAP is paying the bill, so in future CAGR D will be seeking resources. Big expenses have been deferred way into the future, and once they can cover those expenses, they will have gotten a free ride by fact these other customers are paying capital, etc on a much greater basis. CAGR D makes a contribution but only for actual demand, lagged by at least one year, where as customers make a contribution for future demand. But we get from some board members, these municipalities are complaining and haven't got anywhere near the deal the developers are getting. They're operating out of prejudice. That's one of the problems with an elected board, they're not necessarily dedicated to understanding.
- ✓ Work to resolve the governance issue, it's a threshold issue which sets municipal customers against CAP board.
- ✓ They need to take on governance issue and address that in a transparent/open book manner with the public, water community.

Meeting Their Long Term Obligation

- ✓ Important – (1) keep an eye on long run replenishment obligation and (2) work on water supply acquisition plan. This is the last easy plan for the CAGR D to do, still enough excess cap supplies to get them through. There will be some conflict relating to that next plan – we've been able to put off conflict, but there is a point we can't. Should we continue down the path that anyone coming down the path can bring in new development – pretend the future is here.
- ✓ Working on finding water supplies to augment/enhance water supplies available to central Arizona. Very big picture vision with a long time frame – next bucket of water for 50 years from now.
- ✓ Number 1 priority should be to set cap on replenishment obligation.
- ✓ Should be making sure operations are running smoothly – we're not going to be able to get recharge unless facilities are operating smoothly. Look at rates very carefully see what they can do to keep those down – maybe a little more flexibility on being able to acquire long term groundwater storage credits. For example, incentive recharge water was used, CAGR D can't accept those long term groundwater storage credits, but could accept some type of prorated amt of those credits or say, you give us so many more because that was at an incentive rate.
- ✓ Should be down meeting with communities along the river on trying to come up with a plan to bridge the gap on shortages on the Colorado River.

- ✓ Looking for ways to cooperatively work with M&I subs in CAP that both of those customer groups get biggest benefits out of project we can possibly get.
- ✓ Should be focusing on mission – find water resources, buy them and replenish aquifers. More specifically, there is controversy about putting water in basin where it's needed. It may help to have some more definite guidelines on replenishing water where it's actually being used and thinking strategically about next underground recharge facilities will be.

Clarifying and Defining Their Role

- ✓ They are simultaneous issues, but if I had to narrow it down – need to work on clarifying what they think their role is and how they fit with the rest of the pieces and how to make growth and water possible.
- ✓ Ability to strike some type of a deal with other who will be in market for renewable supplies, that's mainly the cities. They need to come up with somehow an agreement as to who is going after water and on what basis.

Other Comments

- ✓ One thing brought up in planning is CAGR D should have some role in conservation, and I've always questioned that. We don't need another regulator out there, someone suggested tiered rates for CAGR D rates, and I don't think that will be very effective. We are now working with ADWR to have a more effective conservation program in place, and ultimately its users along with providers to be in some conservation effort. They are simply a supplier, I think argument was if member lands benefiting from these supplies aren't using water efficiently they'll be creating a bigger demand for those that could be used elsewhere.
- ✓ Perhaps CAGR D should be focusing more on how it can use effluent produced in these areas for helping it meet its replenishment obligations.
- ✓ Most important thing they should be doing is working on the first order issues.
- ✓ A comprehensive recovery plan.
- ✓ We've often said it's a work in progress – we need to stay on top of stuff and plan ahead.

Should not be doing?

Conservation

- ✓ There's some discussion about them doing conservation, that's the ADWR role, and if ADWR is not doing its job, then we need to address it. A lot of folks and stakeholders think they should have a more active role in conservation. That demand wouldn't be there if ADWR was doing a better job in conservation.
- ✓ Should not be doing is getting into conservation; they have a whole conservation plan being generated from Tucson board members. The reason being is that's the state's role – we don't need a second agency telling us how to conserve water.

- ✓ Should not be ...getting involved in water conservation in communities that are MSAs. Typically because those are the larger communities and shouldn't be sending information to all our customers, we can partner, but they shouldn't take the lead. Private water companies without conservation.
- ✓ Should not be doing conservation, that's redundant.

Becoming a growth regulator, looking at statewide problems

- ✓ As a general issue, I don't see CAGR D as water management entity. I see them as a facilitator of water management, a mechanism that's part of water management strategy. For example should CAGR D require conservation of its members. That was a fairly controversial subject and I don't think they should get into that. I see other entities as appropriate mechanism for that coming to be. They have to be careful to do what they're established to do and not step beyond that.
- ✓ CAGR D should never be expanded to take care of statewide problems. I'm happy to compete and cooperate with CAGR D, but I need to do it on a level playing field.
- ✓ They are not a growth regulator.
- ✓ Not sure they should directly be competing with water providers for permanent CAP allocation.
- ✓ Should not be controlling growth – should be mitigating impacts of growth.
- ✓ Should not be causing undue competition in a way that will eventually hurt CAP as a whole, both sets of customers.

Other Comments

- ✓ Board members who are developers unfairly gaining from the CAGR D, there is an appearance of impropriety, even the president of the board.
- ✓ They should not pretend the plan of operations that's in place now is a sort of guarantee for safe operation for the next 10 years.

Is there anything else you'd like to add regarding CAGR D strategic planning?

CAGR D is Important and Staff is doing a good job

- ✓ I don't follow day to day and month to month meetings. I think CAGR D is a very important mechanism to facilitate growth and people generally need to understand the role it plays in facilitating growth.
- ✓ I think it's great they're doing this, and the timing is right.
- ✓ The issues around the CAGR D are enormously consequential but they are also fairly subtle. A lot of nuance has gotten lost in this back and forth discussion about the CAGR D – it isn't all bad or good, it's incredibly powerful and also less powerful than people make it out to be sometimes. Need to add some subtlety to discussion. We could argue about little things and miss an opportunity to say the entire water scheme and management of state depends on all these institutions working well – a healthy CAGR D, healthy department, providers that have their act together – hope we don't spend a lot of the next 10 years continually fighting over it.
- ✓ Their planning staff is top notch, which makes a lot of people feel better about things. Their board has talked about programs that would temper demand from any new growth they would be responsible to serve. Meaning whoever is going to sign up needs to demonstrate some type of conservation strategy. Through ordinance, rate structures, or rebates, or whatever.
- ✓ Sid Wilson is great.
- ✓ People that work there are among finer people the Arizona water community has. Well staffed, take role and business seriously.
- ✓ I feel overall it could have beneficial role, but they've got to check the growth in the areas where there is no renewable supplies.
- ✓ Cliff Neal is doing a good job. A lot of controversy associated with it with respect to costs, but if we keep updated on rates and work to keep them at lowest, and during rate process cliff has done a good job of keeping people posted of increases. Overall it's going fairly smoothly. I am concerned about how contracts are worked out, those should be fair and equitable amongst all MSAs. There should be a range they operate within.
- ✓ Cliff is a good manager. CAGR D is a responsive org to its providers both from member lands and providers themselves, and it would be nice to simplify the reporting procedures but the providers – we don't want to be the tax collectors either.
- ✓ Cliff has a really hard job, and he does it really well. He's probably done too good a job, he's trying to make the CAGR D as robust as it should be and I think that's what's gotten some people frightened – it's turning into a large scale thing which needs to be managed, and he's doing it well.

The Strategic Planning Process

- ✓ How to integrate CAGR D plan of operations into CAWCD plan of operation. Actually version considered in front of board had some CAGR D stuff. There's

been no explicit formally by board that they'll have to go back and reconnect as part of the process.

- ✓ The concern the CAP board might rush through this process – they're a little burned out on strategic planning, and so I think there is a natural tendency to just want to get it done. As a suggestion, maybe not set up so many and feel there is a need to have it done by December. It might be agenda item on regular board meetings, and just setting up a bunch of retreats will get it done, and I'd rather be still discussing this in March than need to meet a December deadline – if it's producing a good dialogue. I'm not sure everyone understands all the implications and technical details of the CAGR, and that's very important. I'm sure development community will be very interested in this process, as well as water providers.
- ✓ The CAWCD Board and Staff should be commended for allowing an open strategic planning process. Allowing input from CAWCD customers and others, will allow different views to be presented and discussed. The resulting Strategic Plan will be a better document with more buy-in from the public and CAWCD customers.

Other Comments

- ✓ A recommendation is the CAGR should be doing some direct outreach with mayors and city councils to better educate the policymakers for those cities that are members. That would be beneficial for the CAGR and member service areas as well.

APPENDIX D

SUMMARY OF STAFF COMMENTS BY QUESTION AND SUB THEME AUGUST 8, 2006 (N=6)

How familiar are you with the CAGR D?

- ✓ Very familiar
- ✓ Very familiar.
- ✓ Fairly familiar.
- ✓ Very... more with some parts than others. Was not here when the water wars occurred, the needs identified and the legislation passed. Very familiar with financing.
- ✓ Relatively familiar. Participated in the development of the CAGR D through the legislative process. Participated in the development of the first Plan of Operation as a customer. Obtained two assured water supply designations that require member service area status: one for City of Peoria, one for City of Surprise. Managed member land subdivisions for the largest private utility in Arizona including all CAGR D reporting at parcel level. Team member for the current Plan of Operation. Determined CAGR D's service area and developed demand projections for the CAGR D. Developed the CAPTR database for the CAGR D that tracks all applications and tracks water use and fees by members.

How does it operate?

- ✓ It's a mechanism for property owners to get a water supply when water is available, but don't have a right to take the water through subcontract or lack of physical availability.
- ✓ It's a function of the CAP
- ✓ Solely to allow water providers and developers who are dependent on groundwater to meet Safe Yield.
- ✓ A method of providing a renewable water supply.
- ✓ The CAGR D is "ten" levels down (a small part) of the Groundwater Act.
- ✓ 1994; first plan was approved in 1995 (every ten years)
- ✓ Enroll members
- ✓ Statutes control membership
- ✓ Annual reports on groundwater use
- ✓ CAGR D determines the acre feet to replenish based on reports of use from members
- ✓ Rates -> Assessment -> Tax or assess people
- ✓ Get water to add to the system
- ✓ CAGR D has been controversial issue ever since it was created. CAGR D is a paper solution to a developers problem; bias is a potential problem

- ✓ Member lands – developers sign the homeowners pay even before the homes are built.
- ✓ Property tax is assessed against the individual property owners.
- ✓ Member service areas – Water provider that is responsible for a certain area; assessments that a water company pays. Submit a report annually that identified the excess groundwater used, which is all the water used if only groundwater is used and the area is in a safe yield AMA
- ✓ Safe yield in each AMA
- ✓ Member lands – when it is enrolled, each planned home is assessed an enrollment fee in 2007 is \$23 per housing unit, including \$2 per unit for a conservation program. Activation fee that is paid at the time that the final permit is issued by the jurisdiction. \$52 in 2007. Once replenishment begins, then they're charged a replenishment assessment according to the water used (acre feet).
- ✓ Each AMA has a different rate according to four factors.
 - Water - \$/acre feet purchased by the CAGR D; Phx AMA is \$107 / AF in 2007.
 - Admin for CARGD (salaries and overhead for CAP) = \$30 per acre foot, consistent over the three AMA.
 - Infrastructure and water rights... \$77 per acre foot consistent across all three AMA's. Money that is being accumulated to either acquire water rights or build the recharge facilities, pipes, etc.
 - Replenishment reserve charge = \$22 in 2007. Plan of Operation requires that the CAGR D build a replenishment reserve. Need 20 year supply that the reserve has to be created over the next "x" years, so that when any excess water (or other spot water) is available, then the CAGR D can immediately buy and recharge the water. Count it toward a reserve when times of shortage and insufficient water are available to CAGR D, then the water would have already been recharged and purchased. Customers would be charged as if it is wet water.
- ✓ In 2007...
 - \$236 per AF for Phx
 - \$210 per AF for Pinal
 - \$251 per AF for Tucson
- ✓ Relationships between each of the four components in building the formula for building the rates; rules for formula
- ✓ 1.55 million acre feet has to be in the ground by 2025. [Cliff check]
- ✓ Three sets of rates for three AMA's, but the AMA's are not necessarily consistent with the County boundaries.
- ✓ The CAGR D intends to maintain a positive balance for water rights and infrastructure. That's the plan.
- ✓ 7746 AF of CAP M&I subcontract water that CAGR D is currently buying the permanent rights to those. ADWR has to approve, but CAGR D was the successful bidder.
- ✓ The user reports on the excess groundwater used, then the CAGR D has three years to replenish the water. e.g. 2003 is not actually recharged until

later, after the money for the water is “in the bank”. The rule is “collect the tax assessment and then buy and recharge the water.”

- ✓ We’re 1.5 – 2.0 acre-feet behind in recharging the M&I firming/replenishment reserve
- ✓ Each AMA has a separate account with the State Treasurer for each of the components and each of the AMA’s. For instance, there would be
- ✓ Ten (10) separate accounts with money in them to pay for the CAGR. Keep track of expenditures and who it’s for. Account for by the AMA and by the component.
- ✓ Need to build a collaborative effort and the steps must include:
 - Who needs water and how much?
 - Who is using water and how much?
 - Round robin bidding for new water
 - Everybody (all CAP members) get a percentage of all new water.
 - Indian leases
 - Effluent
 - Land fallowing
 - Groundwater mine in non-AMA
 - Firming = underground storage in advance to generate credits to firm (in times of storage) the supply. [Lance, good – CAWCD/AWBA responsibility]
- ✓ Water Bank buys CAP water every year and stores it. In the event of storage, M&I customers will have water during shortages.
- ✓ The critical topic is “How does water really work?” [Hydrology issue]
- ✓ Pima has two recharge sites; withdrawal would probably not be where we put water in.
- ✓ Special deal with Scottsdale on a replenishment tax that CAGR is replenishing, but don’t have to pay the infrastructure [Scottsdale gets credit for water it replenishes on its own]

Why do you think it was created?

- ✓ Growth created water “have’s and have not’s”
- ✓ Water management plans were putting pressure on growth and development
- ✓ Whether it’s a good or a bad thing depends on your perspective
- ✓ Without the CAGR the Assured Water Supply rules wouldn’t have been approved.
- ✓ A mechanism to meet AWS rules
- ✓ In the 1990’s DWR wanted to enact assured water supply rules...safe yield was the objective. Not mining groundwater or over drafting the aquifer.
- ✓ The purpose was not to depreciate non-renewable resources. [i.e., groundwater]
- ✓ Growth was going to stop (i.e., non- SRP or CAP customers)
- ✓ The water haves and have nots were being identified
- ✓ The rule said that without a renewable [100 year] water supply, the area couldn’t grow and develop
- ✓ Developers led the charge to allow growth

- ✓ Options:
 - tax [or limit] all groundwater pumping
 - extend property tax to all lands within the AMA
 - individual assessment based on water used
- ✓ The CAGRDR was the way places without renewable water could develop
- ✓ New and additional role for the CAGRDR in extending and recharging in areas not served
- ✓ Phoenix CAP allocation = 113,000 acre feet
- ✓ Created to provide an assured water supply for areas outside an established water supplier
- ✓ Membership is either on a subdivision or individual homeowner basis
- ✓ Must meet qualifying criteria established by ADWR
- ✓ CAGRDR does not discriminate so there is a controversy over CAGRDR growth; limitations and controls are established in the Plan of Operation; acquisition of water supplies for members is the objective; 10 years is the horizon for the Plan of Operation.
- ✓ The CAGRDR has 3 years to find, buy, acquire and deliver the water that is being replaced.
- ✓ There is a contention between water users in Central Arizona about the way that water will be acquired by the CAGRDR, and how it will be used.
- ✓ Rural areas concerned about water export from their non AMA's.
Groundwater mining
- ✓ Urban areas concerned about competition with other cities and growth areas.
- ✓ Ethics of water use...good water system management – conservation
- ✓ Demands are greater than expected for the CAGRDR
- ✓ CAGRDR was a brilliant, practical solution to a difficult problem, but at the same time the CAGRDR is a formula for disaster since it has no regulatory authority. It can't control member enrollment so anyone who can meet the State's five conditions can join. Also, there is no connection between where the water is recharged and where it is used. (Immediate location of hydrological use)
- ✓ The Groundwater Management Act created AMA's and the rule that to grow and expand within the AMA the water provider must assure the State that there is 100 years of water to support that growth. The CAGRDR system was a way of satisfying the assured water supply rules without having the actual water to do it. Groundwater is used at the site of the development, but the CAGRDR has 3 years to find, acquire and recharge that water.
- ✓ Pinal County AMA is called "planned depletion" and calls for water mining in the area; agricultural interests can mine water in Pinal County until it's gone.
- ✓ Help member lands and future member lands to mitigate excess groundwater usage and meet the AWS rules.
- ✓ Some would say it's a loophole to get around the AWS rules. And allow development in places where there would otherwise not be development. There is no way to assure that the CAGRDR will be able to do what it says it will do and provide 100 year assured water supply.
- ✓ CAGRDR needs to have a cap on enrollment, and not have the legislature be able to overrule those caps.

- ✓ Qualifications on applicants. Maybe make sure the applicants must have conservation.
- ✓ Suspend and terminate enrollment.
- ✓ Be able to turn the spigot on and off.
- ✓ The CAGRDR was created to allow water providers and developers/builders of subdivisions with limited access to renewable supplies a mechanism to meet the assured water supply rules using groundwater. Specifically, the CAGRDR allows the water provider or subdivision to meet one of the assured water supply criteria: Consistency with management goal (i.e. limited use of groundwater).

What do you see as the benefits provided by CAGRDR?

- ✓ Allows growth
- ✓ Less constrained growth
- ✓ Replaces groundwater supplies
- ✓ Allows tax payers who have no benefit from CAP to actually get some benefit.
- ✓ Organized the loosely defined demand into a single organized unit.
- ✓ Collected taxes from a broad source (property taxes)
- ✓ Benefits included allowed assured water supply rules to proceed; brings additional, renewable water supplies into the AMA, and by doing so have development.
- ✓ The future of developers, landowners, growing non-SRP / CAP jurisdiction is ensured by the CAGRDR
- ✓ The CAGRDR says “we (CAGRDR) will assume responsibility for providing you water, and you (member) will pay anything we demand.”
- ✓ Industrial and commercial growth is also linked to the CAGRDR
- ✓ Allow for growth in area
- ✓ Economic health of the state by allowing development
- ✓ Additional people move here, businesses move here, taxes pay for the cost of services.
- ✓ Replaces groundwater used by its members with a renewable water supply source.
- ✓ Allows taxpayers that have little or no direct benefit from CAP to derive a benefit.
- ✓ Creates a single entity to organize water demands and supplies for the good of a dispersed constituency.
- ✓ Collects revenues largely through the most secure revenue stream possible (property taxes).
- ✓ Can take advantage of water supplies not ordinarily eligible for assured water supply purposes.

What are some of the negatives?

- ✓ Allows unconstrained growth and sprawl
- ✓ Poorly understood because it's complicated. Fear...false evidence as appearing real. People don't like uncertainty, so when you're uncertain you want to limit authorities.
- ✓ Perception of competition for scarce resources; Balkanized constituency
- ✓ The cost of CAGR water is still too cheap to meet assured water supplies
- ✓ Burden of administration
- ✓ CAWCD in the middle of growth management
- ✓ Saying "no" to those applying to CAGR
- ✓ Primary component for DWR's safe yield
- ✓ Favored status of CAGR within the CAP organization
- ✓ The CAGR creates turmoil
- ✓ At some point it will collapse if enrollment is unchecked and unmetered.
- ✓ No guaranteed source of water for the CAGR in the long run. The 7700 AF is only 1/3 of the amount needed in 2007.
- ✓ Continued enrollments through 2015...
- ✓ Annual replenishment obligation for the CAGR will be 225,000 AF in 2035.
- ✓ Acquisitions identified in the Plan of Operation are couched in terms of examples of what we might do, rather than specific actions that will be taken.
- ✓ Types of acquisitions that we might make will cost \$260 million in current dollars.
- ✓ Long-term obligations vs. short-term leases
- ✓ It's temporary
- ✓ A potpourri of stuff.
- ✓ Has become a lightning rod for growth issues.
- ✓ Substantial liability to CAWCD with limited flexibility to meet liability.
- ✓ Perceived by many as being a conflict of interest for CAWCD.
- ✓ Poorly understood entity/authority leading to ill-perceptions.
- ✓ Because of fear about what the CAGR is or isn't, the CAGR's powers are very limited so it has little flexibility about how to meet its obligations.

What are the “first order” issues that need to be addressed in a CAGR D strategic plan?

Managing Demand

Controlling Enrollment

- ✓ Roll of CAGR D in growth management
- ✓ If the Board doesn't believe there is enough water, then they need to agree upon that point.
- ✓ The CAGR D needs to have the ability to say “no” to enrollment when it doesn't make sense or when we run out of water capacity. If we don't give the CAGR D regulatory power now, we will be in the “soup” before we can take corrective actions. A clear and present danger will have to exist before the CAGR D will be able to act, and that means a water crisis.
- ✓ We need to define the rules on when to say “no” to enrollment. <what are the rules for applying the brakes to the CAGR D> [virtually none now]
- ✓ Such action will require universal support from the Board, the CAGR D members, the CAP water contractors, the development community, etc. Since there is no trust between the cities and the legislature regarding the Board and the CAGR D, this will be a difficult task.

Managing Future CAGR D Obligations

- ✓ Assurance that we can address the next bucket of water

Rules for Enrollment, Continued Membership and Water Allocation

- ✓ Enrollment – “to be enrolled you must...”
- ✓ What benefits will we give to whom? <Based on the amount they pay vs. how much benefit is received>
- ✓ Conservation issue...some Board feel that CAGR D should use its influence to cause conservation to happen. The POO has some language about the Conservation Plan. Rate breaks if they conserve. Others believe that conservation is not the CAGR D's job. It is the water provider's job to cause conservation. It's a pain in the neck to have different rates for different customers. It's an administrative nightmare. GPCPD reductions? The law states that CAGR D members will pay the costs – subsidies/reductions for some members will have to be made up by the others.

Governance

- ✓ Comfort on how CAGR D fits within the CAP
- ✓ What is CAP's commitment to the CAGR D? <CAGR D being a customer>
- ✓ What is CAP's role in Arizona's economy? The CAGR D is seen as the cause of growth. CAGR D affects how growth proceeds in Arizona; the CAP uses the CAGR D as a growth management tool. There are elements in Arizona that believe they can stop growth by cutting off the CAGR D.
- ✓ How do we keep the CAGR D from being too complicated? We have a small group working on CAGR D; the more complex it becomes, the more people that are needed. A separate agency would shoot that number into the atmosphere. Value added would be reduced.

- ✓ Come to terms with CAWCD's appropriate role in Arizona's economy (i.e. growth manager—shut off the water supply to stop growth—or providing water in whatever volume to meet demands of those who decide growth matters).

Fiscal and Physical Resource Concerns

- ✓ Does CAGR D pay for the service...does M&I pay for the service? [the law states that members will pay]

Recharge and Recovery

- ✓ Issues surrounding underground storage and retrieval should be high on the list [CAGR D needs to be plugged in, but recharge/recovery is a CAWCD/AWBA issue – obviously, CAGR D will want to coordinate with AWBA to ensure that “too much” or “not enough” is recharged to specific areas. I think this is already happening.]

Sound Information for Decision Making

- ✓ We (CAP) doesn't understand its customers; need to define all the customers, the revenue, which customers are paying the full rate or more and which are not.
- ✓ Need criteria to base future “economic” decisions.
- ✓ Clear identification and definition of CAWCD's customers including CAGR D members that leads to a common agreement about who CAWCD's customers are and how CAGR D fits into that foundation.
- ✓ Determine what commitment CAWCD has to its various customers including those that do not have CAP subcontracts.
- ✓ Determine what CAWCD's commitment is to the CAGR D function (get rid of whole thing including existing customers, continue until the end of the current Plan of Operation but turn over future customers to someone else, continue forever, etc.).
- ✓ Come to terms with our belief about how much water there is and what that means for the future. Are we out of water or is there enough forever?

Ethical Considerations

- ✓ There are people who have paid CAP taxes but have never received any benefit

How do you feel about CAGR D's governance?

Have CAGR D just go someplace else

- ✓ Didn't really want the job of the CAGR D, but now we've got it.
- ✓ Perceived conflict of interest between the CAP and CAGR D boards. It was a mistake to create the CAGR D Board...unnecessary.
- ✓ If I weren't a staffer, I believe the CAGR D would be better service outside the CAP.
- ✓ CAGR D will be much more able to serve customers if it's outside the CAP. [High polarity, based on above comments and other feedback.]
- ✓ New district would have to be created in statute
- ✓ Some of the Board (and others) would just as soon let someone else wrestle with the CAGR D, and it's already too complicated.
- ✓ Complicated by the tax info and working with the County assessor's office is a problem in data. Mark Filippone did an audit last year that discovered the problems of collecting money for member homes that are using excess groundwater.
- ✓ The political and administrative problems are growing, and it is already under resources, so I'd just as soon see it go to another type of governance.
- ✓ Better for CAGR D to be outside CAWCD because it can come into its own and not be constrained by other factors that CAWCD must balance. CAGR D can be unilaterally focused on its narrow mission and be unconcerned about balancing its needs against the needs of other CAWCD customers. By having a tight focus, the CAGR D will be more successful in getting what it needs to meet its obligations.
- ✓ The CAGR D being inside CAWCD is impeding the ability of the water community to focus on future water solutions for Arizona. Every discussion devolves into why the CAGR D is a problem. If removing CAGR D from CAWCD will allow the water community to stop obsessing about the CAGR D being the problem, we should move it out of CAWCD immediately.

There are no reasonable options

- ✓ DWR wasn't the right place because it has a statewide perspective
- ✓ It's painful for cities and AMWUA the way it is, but it would be even more painful if the members (developers and non AMWUA cities) were to form the Board and run the CAGR D.
- ✓ Perceived that the CAGR D gets more favorable treatment, but that's just not the case.
- ✓ It is not in the best interest of CAP for the CAGR D to not be in the organization.
- ✓ Many CAP customers believe they'd like to have the CAGR D outside, but they wouldn't be well served by doing so. The CAGR D customers may not want to leave the CAP, but they would be better served by an independent CAGR D.
- ✓ Water right acquisition would be a problem for the CAGR D
- ✓ Would the CAGR D become a second class customer?

- ✓ Best we can do, now...balance is achieved by having the CAGR D imbedded in the CAWCD
- ✓ Perceived conflict of interest regarding the CAWCD Board also being the CAGR D Board. It was a mistake to create a CAGR D Board. It was not necessary and it has only created an illusion of conflict. Organizationally, nothing changed between pre and post CAGR D Board. Neither CAWCD nor the CAGR D gained any benefit as a result of creating the CAGR D Board.
- ✓ Perception by some customers that CAGR D is given preferred status because it's a function of CAWCD. Perception by some staff that CAGR D gets fast food for gourmet prices. Meaning CAGR D gets scraps (least desirable supplies) but pays the highest prices possible. [based on statute that members will pay for costs.]

Keep the CAP Policy Board and the CAGR D Policy Board one-in-the-same

- ✓ There was no value in creating another bureaucracy, so that's why they put it with the CAP
- ✓ It's okay for the CAGR D to be with CAP. The question is "could the CAGR D do all it's currently doing and serve the interests of its members if it were a separate body governed by an appointed or elected board?"
- ✓ The CAGR D is connected to the CAWCD through water, facilities, boundaries, etc. Makes no sense to move it.
- ✓ Many benefits to the CAP to have the CAGR D within its organization.
- ✓ Obligations? Stay with the CAWCD or move to the new CAGR D? It's not a simple thing to spin this CAGR D off, no matter how much you'd like to do so.
- ✓ We are obsessing about the CAGR D.
- ✓ Governance is a Board decision.
- ✓ CAWCD continue to be decision makers
- ✓ Current governance works well structured the way it is. A lot of future water will come from the Colorado River.
- ✓ CAP / CAGR D are viable because they are housed together. Separation wouldn't be efficient...they are partners in the central Arizona water systems.
- ✓ There is a dynamic tension between the two that hold them apart but also keeps them together and it works.
- ✓ Better for CAWCD if CAGR D is under CAWCD's direct control, because CAWCD can keep the CAGR D balanced with other pressures. Even if the CAGR D function is moved outside CAWCD, CAWCD will still be burdened by the CAGR D because its supplies will most likely be moved through the CAP. As long as CAGR D is located inside CAWCD, CAWCD will be able to manage that pressure. Once CAGR D is located outside CAWCD, CAWCD will be reacting to what is already a significant pressure. It will be much more difficult to keep CAGR D's demands balanced with the needs of other CAWCD customers. This pressure is not limited to water supply issues. The pressure will also exist when it comes to infrastructure.
- ✓ Removing CAGR D from CAWCD will not solve the problem. The problem is growth and competition for growth. The CAGR D is just a whipping boy for anti-growth interests and interestingly enough for those competing for growth.

Not sure what the Board should do

- ✓ Who are the customers and who does the CAGR D serve? The CAWCD serve?
- ✓ Is the Board of Directors willing to lead this? Are they willing to accept the political heat they're going to take, whatever way they decide? Are they willing to draw boundaries?
- ✓ Timing (sooner than later) of issue resolution
- ✓ Clarify – be intentional in the decisions and why those decisions are being made.
- ✓ I can't think about the CAGR D without thinking about plumbing. It would seem that ultimately the CAGR D would have to get into the business of taking raw water directly to its members and not just recharging it.
- ✓ CAGR D will become the biggest and most powerful water organization in the state.
- ✓ Over ½ of the three county area population will be served by CAGR D.

What do you think CAGR D's role should be regarding management of growth in CAWCD's three-county service area?

The CAGR D should not have a role in controlling growth

- ✓ It is inappropriate for an instrumentality of the State who have not role in growth management to behave in a way to facilitate or manage growth.
- ✓ Bad decisions have resulted in our attempts to manage growth. Example: Forcing the CAGR D members to have a conservation plan. Making people conserve. Completely whacked out.
- ✓ CAGR D shouldn't have a role in growth. The CAGR D isn't causing growth, but CAGR D serves growth.
- ✓ That's not our job. It was not set up to be a regulator. It's not in the law. It that was the intent of the legislature, then they would have put it in the law.
- ✓ If the Board and legislature feels strongly about this, then they can do it, but then there needs to be a legislative nod to do so. The cities, developers and others would have to agree, or we'd have a fight.
- ✓ It is inappropriate for any political subdivision to manage growth unless the entity is authorized by State law to do so. Municipalities and counties are the only political subdivisions in Arizona that are authorized by law to approve or deny a request for a subdivision. To the extent the State gives this authority to municipalities and counties, the State has a certain level of authority.
- ✓ Given the facts, we have no rationale for refusing water to any existing or future customer.

The CAGR D should not have a direct role in controlling growth

- ✓ Shouldn't attempt to manage growth, but should manage the CAGR D's ability to provide and guarantee services. Water needs to be part of the growth plan, but is not the limitation to growth.
- ✓ Through water pricing the CAGR D can guarantee water availability.
- ✓ Don't know. CAGR D needs statutory authority to say "no" to membership enrollment, or say no to growth that doesn't make sense in terms of water. CAGR D should develop and implement reasonable criteria that would require applicants to prove that the water will be there when it's needed.
- ✓ The limitation on enrollment is different than growth control. The intent would be for the CAGR D to meet its obligations,.
- ✓ The act of a utility, whether a city of private utility, shutting off water to an existing customer or refusing water to a future customer is a serious matter. To refuse water service to taxpayers inside the three county service area would require a belief that Arizona has run out of water. According to ADWR, Arizona has over 8 million acre-feet of water. At a rate of 225 GPCD, the average GPCD for the three county service area, 8 million acre-feet can support nearly 32 million people assuming none of that water is used for agriculture. If you can reduce per capita demand by 10%, you can support in excess of 35 million people. This assumes that desalination is impossible. With desalination, water for growth is limitless.

Are you familiar with the water supply acquisition plan laid out in CAGR D's recently approved Plan of Operation?

- ✓ <Very>
- ✓ Yes.
- ✓ Very
- ✓ Very
- ✓ Yes.
- ✓ Yes.
- ✓ Yes.

If so, do you have any comments regarding the plan?

The Plan is solid and the process was good. We should be proud of the work

- ✓ It's an absolute masterpiece.
- ✓ It's a masterpiece. It's a very good plan.

The Plan is a guide

- ✓ It's a rational approach. Identify all kinds of water resources...take a balanced approach to acquisition. The CAGR D plan of operation isn't on a "railroad track"...it's more like a travel plan.
- ✓ Continue to meet it's replenishment obligation

The Plan suggests the CAGR D should stretch beyond the status quo

- ✓ Ease the competition for water supply.

Concerns about the Plan

- ✓ Need to acquire supplies faster than identified in the Plan.
- ✓ The water acquisition plan bets on the "come"... assuming things that cannot be controlled by the CAGR D or the CAP or anyone else for that matter.
- ✓ There is no detail about where the water will come from, how much and when. Right now the Plan has examples, but no specifics about where. It has specific examples of price and quantity. Some Board members state that the prices are too low, and since we have published this number it establishes the starting point for negotiations. We showed the Indians that we're willing to pay that much for the water.
- ✓ The Plan builds on planning assumptions that may or may not be precisely accurate. It calls on people to read the crystal ball and do projections. While we know that their assumptions are generally good, we also know that they are not precise. For instance, the component contributions will not be accurate.

The Plan doesn't go far enough

- ✓ Collaborate... have CAGR D be the water acquisition entity for the entire CAP three-county area. [CAWCD role with CAGR D as one of the participants.]
- ✓ Beat the bushes for new water on a long-term basis.

How should the CAGR D be focusing its resources over the next 10 years?

Water Acquisition

- ✓ Acquire water supplies that are identified in the Plan of Operation
- ✓ Acquire water rights to serve obligations
- ✓ CAGR D should focus its resources on acquiring the supplies laid out in the plan of operation.

Managing the CAGR D Financial and Physical Obligation

- ✓ Unbelievable administrative burden needs to be addressed
- ✓ Direct delivery of water is in the CAGR D's future. [don't agree, but whatever]
- ✓ CAGR D should focus its resources on getting its administrative burden under control. This will require the development of a GIS and full time data management. The CAGR D's administrative burden is a series of tidal waves that get bigger as each wave hits the shore. The administrative burden is already crippling the CAGR D's ability to adequately plan its future and to defend itself from changing regulations and threats to the existing Plan of Operation.
- ✓ CAGR D should focus its resources on determining its future after the existing Plan of Operation.

Replenishment

- ✓ Maximize use of supplies for replenishment

Gain Control of the CAGR D Process

- ✓ What will happen after this Plan of Operation? Could be within the next two years.
- ✓ Figure out ways to eliminate competition

Relationships and Communication

- ✓ Turn people's perception of the CAGR D.
- ✓ Better relationships within and between ag water users.
- ✓ Relationships along the Colorado River.
- ✓ Focus on developing a strategic plan and water acquisition process... build consensus from the stakeholders. Stakeholder group will expand.
- ✓ Develop a strategy for changing people's view of the CAGR D. Fearful perceptions about the CAGR D are unwarranted. Because CAWCD has done nothing to counter these perceptions, these perceptions have become impediments for rational decision-making.

Is there anything else you'd like to add regarding CAGR D strategic planning?

Strategic Planning Questions

- ✓ Do we believe there is or is not enough water for the future?
- ✓ Who are our customer, who pays and what level?
- ✓ There is a notion that CAGR D is all new growth stuff. Everyone else is old stuff so the CAGR D should pay for the higher new cost of growth.
- ✓ Need collaborative planning process
- ✓ Should there be conditions to enrollment for the purpose of weeding out the more egregious applicants. Subdivision with a lake. With lots of grass. "You are going to be a higher user of CAGR D services, and the risk is too much for the CAGR D to assure." How do you cut out undesirable members?
- ✓ Where do you draw the line on enrollment when you know there's a disaster waiting to occur?
- ✓ Block rates for conservation? Higher rate for increased water use.

Suggestions and Recommendations

- ✓ Avoid allowing cities to undermine the governance and/or the CAGR D
- ✓ Either need a cap on enrollment
- ✓ CAGR D needs the authority to establish the when, where and how rather than have someone else. <enrollment>
- ✓ The CAGR D needs to be able to "de-enroll" members. i.e. as conditions change and the developer has homes they have not yet built, then de-enroll.
- ✓ The CAGR D should not be left holding the bag. The CAGR D cannot guarantee that water is available.

Observations

- ✓ Perception drives decisions about the CAGR D
- ✓ Perspective is what is determines any individual's perception on the CAGR D
- ✓ Information about the CAGR D will help some come to agreement, but others will continue to disagree because they don't see the CAGR D operation as it currently exists, as being in their best interests.
- ✓ The cost of water drives the need to compete; the next bucket of water will be the easiest and cheapest to get.
- ✓ Water providers who are coming to the end of their growth (mature cities) will benefit from the CAGR D confusion and will through roadblocks in the way of newer growth cities.
- ✓ This is not about CAGR D...it's about the CAP's commitment to the customers.
- ✓ We are responsible
- ✓ The CAGR D will be the fall guy if we don't limit enrollment. We know that we cannot
- ✓ The CAGR D's strategic planning is not about the CAGR D. It is about CAWCD's commitment to its customers—all of its customers, not just those that hold CAP subcontracts. Until we come to terms with that, we will resolve nothing. The responsibility of the staff and its consultants should be to create

an environment where this root issue can be fully vetted and a common commitment agreed upon.

- ✓ CAGR D versus CAP water contractors [negative]
- ✓ Who are the customers of the CAGR D? Who are the customers of the CAP? Are these customer bases in conflict? Over water? Priority for water? Cost of water? Subsidies paid by one or the other? [negative]