

2014 - 2015
Biennial

Budget

CENTRAL
ARIZONA
PROJECT

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How to Use the Biennial Budget



The Central Arizona Water Conservation District (CAWCD or District), also known as the Central Arizona Project (CAP), presents the 2014 / 2015 Biennial Budget in one cohesive document. The budget document includes the following sections:

Executive Summary provides a high-level overview of the District to better understand the business and key issues. The section includes the General Manager’s Letter, the CAWCD Board of Directors and CAP Profile.

Biennial Budget Overview provides an overall summary of the District’s revenues, expenses and capital expenditures. Selected financial data is also provided as well.

Strategic Plan provides the District’s strategic framework and plan, as well as performance measures.

Financial Planning reviews the overall process, planning and controls of the budget and other planning processes. Also explains the District’s debt authorities, obligations and fund reserves in more detail.

Operating Budget provides the budget information for the day-to-day operations of the District for the General Fund, CAGR Account, Supplemental Water Account and Captive Insurance Fund.

Capital Budget provides an overview of the capital project process and controls, a high-level summary and Capital Improvement Program detail.

Organizational Summaries provides departmental budgets and their business goals and accomplishments.

Appendix provides supplemental information such as water deliveries, rate schedule, pumping power costs, federal debt schedule, reconciliation of operations, maintenance & replacement (OM&R) costs, district policies, county profiles and helpful glossary.





TO OUR BOARD, CUSTOMERS AND CONSTITUENTS



The 2014 / 2015 Biennial Budget reflects our progress in an ongoing effort by the Central Arizona Water Conservation District (CAWCD or District) Board of Directors and staff to identify opportunities, improve work performance and set the direction for future initiatives. By collaborating with Central Arizona Project (CAP) customers and stakeholders, we are confident that our goals related to Arizona's critical water and power supplies will be successfully achieved.

Prior to our last biennial budget for 2012 / 2013, we completed significant updates to our strategic plan. Our Board reviewed and updated its strategic plan in 2010. This plan was augmented by relevant findings from two studies to evaluate our maintenance organization and our management practices, and by extensive input from our employees and management. All of this was merged into one comprehensive plan: the *2011 CAP Integrated Strategic Plan*. The Plan has been tracked and refined continuously since it was created. The Board plans to complete the next strategic plan update in 2014, a process it initiated in October 2013 with a review of strategies related to power and transmission.

The *CAP Integrated Strategic Plan* is the basis for the 2014 / 2015 Biennial Budget. It identifies the strategic issues, objectives and associated action plans that will carry us into the future. Some of those action plans represent significant ongoing business practices and many of them are new initiatives, some of which carry forward into 2016 and beyond. These action plans are organized under six Key Result Areas (KRAs):

- Leadership & Public Trust
- Finance
- Project Reliability
- Water Supply
- Power
- Replenishment

Power has consumed much of our attention over the last three years and will continue to do so, as we address critical issues facing the Navajo Generating Station (NGS), which supplies more than 90% of the energy needed to run the CAP system. Successful and timely resolutions of the U.S. Environmental Protection Agency's (EPA) proposed regional haze rulemaking for NGS - often referred to as a "Best Available Retrofit Technology" (BART) rule - and the renegotiation of the critical land lease and coal supply agreements (which expire in 2019) are necessary to provide certainty that NGS can continue as a source of reliable, low-cost energy through its design lifetime (2044). Because the Bureau of Reclamation is a participant in NGS, the land lease and coal supply agreements will require an extensive

National Environmental Policy Act (NEPA) compliance review. While we are actively working to protect CAP's interests in the plant today, we are also exploring alternatives that may be available when the time comes to replace NGS. CAP is also taking steps to enhance the reliability of its transmission network and to improve its access to the electricity market to better manage its power resources.



Water Supply is another critical area for CAP. For many years, CAP has placed a significant emphasis on Colorado River water issues on a regional, national and international level – developing agreements with the seven Basin States and Mexico to better manage the river, prepare for the risks posed by climate change, manage salinity and further efforts to augment river supplies. While CAP and others have long prepared for an eventual shortage on the Colorado River, recent projections by the Bureau of Reclamation indicate that a first-ever shortage declaration could come as early as 2016. When shortage is initially declared, CAP would see reduced diversions of 320,000 acre-feet, approximately 20% of its current supply. Deliveries to CAP Indian and municipal and industrial customers would not be impacted by such a shortage, but there would be less water available for CAP's non-Indian agricultural (NIA) pool, the Central Arizona Groundwater Replenishment District (CAGRDR), the Arizona Water Banking Authority (AWBA) and other excess water customers. Shortage could also drive CAP's fixed-cost rates up as deliveries are reduced.



During the last budget cycle, a major water supply initiative was established under the **Replenishment** KRA for CAGRDR to identify, evaluate and acquire the supplies necessary to continue to provide sustainable replenishment services into the future. The goal is to acquire sufficient supplies to

meet the current replenishment obligation by 2015 and then to acquire additional supplies necessary to keep up as the replenishment obligation grows over time. CAGRDR has applied for NIA CAP water that will be recommended for reallocation by the Arizona Department of Water Resources (ADWR) in 2014 and continues to pursue numerous other water supply opportunities. In 2012, the Board approved CAGRDR Guiding Principles as the basis for a stakeholder process to prepare for CAGRDR's next 10-year Plan of Operation, which must be submitted to ADWR by the end of 2014. The stakeholder process began in 2013 and will continue into 2014.

In late 2012, we received a reminder that our infrastructure is aging and requires our constant attention and diligence, when the earthwork supporting an above-ground portion of the CAP aqueduct failed and the canal was breached. While the aqueduct was placed back in service in less than three weeks and no scheduled deliveries were missed, this event demonstrated what the **Project Reliability** KRA is all about. Avoiding and minimizing the consequences of unplanned outages depend on cradle-to-grave asset management, including reliability-centered maintenance, condition-based monitoring and expanded predictive maintenance programs. Our readiness depends on effectively managing the knowledge and skills of our workforce. In addition to the knowledge transfer and cross-training initiatives from earlier years, in 2013 we initiated two supervisory / management training programs, one for crafts and trades employees and one for administrative, technical and professional employees. We also kicked off our proprietary Personal and Organizational Development (POD) training

program that will be brought to every current employee and integrated into our new employee orientation by the end of 2014. During 2014 we will also seek our recertification as a Voluntary Protection Program (VPP) STAR workplace occupational safety and health designee, one of only 34 (and the only local government and the only utility) in Arizona.

There have also been significant challenges within the **Finance** KRA, which includes maintaining CAP's financial health, managing CAP's assets and financing major expenditures. In 2011, CAP successfully transitioned through the end of long-term power contracts with Salt River Project (SRP), but experienced significant financial exposures in 2012 and 2013 as its fixed published water rates did not anticipate the magnitude of increasing costs at NGS and an extended weak electricity market. In addition to these historical and ongoing factors, CAP must also prepare for growing capital expenditures related to our aging infrastructure, the uncertainties related to the future of NGS and a potential imminent shortage on the Colorado River. As a result, CAP spent several months in 2013 restructuring its reserves and water pricing strategies, and raised property taxes for the first time in over 25 years as a hedge against future exposures. In 2014 and 2015, as these uncertainties unfold, it will be imperative that we continue to closely manage our financial programs and resources to deal with them.



In the midst of these many pressing challenges facing CAP, ongoing transparency and communications with our Board, customers, constituents and other stakeholders is paramount. As an organization that serves the regions where more than 80% of the state's population lives, CAP places great value in building and maintaining public trust in our leadership and management decisions. Under the KRA of **Leadership and Public Trust**, CAP informs and educates its customers and stakeholders to ensure reliable water supplies for future generations and sustain Arizona's economy. During this biennial budget, we will continue to identify and communicate specific information regarding CAP's priorities and increasing opportunities for our Board and staff to convey focused messages to the communities we serve.



Our strategies and action plans are described in greater detail in the following pages, along with the accomplishments we have already seen to date. We believe this document will not only communicate our financial and business health to you, but it will also serve as our financial plan, our policy guide and our strategy for moving into the future.

We take pride in our budget and business plan publication, as we have throughout the years, and we are pleased to share this latest edition with all of you. Our ability to excel in this area depends on the continued support and guidance of our Board and on the feedback we receive from our customers, constituents and employees. We believe we have developed a strong, reliable plan that will serve our community well in the near term as well as into the future.

David V. Modeer
General Manager



THE CAWCD BOARD OF DIRECTORS



Maricopa County

- A. Lisa Atkins Term Ending 2018
- B. Gayle Burns Term ending 2016
- C. Guy Carpenter Term ending 2018
- D. Frank Fairbanks Term ending 2016
- E. Terry Goddard Term ending 2018
- F. Jim Holway, Ph.D. Term ending 2016
- G. Mark Lewis Term ending 2016
- H. Heather Macre Term ending 2018
- I. Cynthia Moulton Term ending 2016
- J. Pam Pickard Term ending 2018

Pima County

- K. L.M. "Pat" Jacobs, IV Term ending 2014
- L. Sharon Megdal, Ph.D. Term ending 2014
- M. Warren Tenney Term ending 2014
- N. Carol E. Zimmerman Term ending 2014

Pinal County

- O. Jim Hartdegen Term ending 2014



Burnt Mountain Conduit Install

GFOA AWARD



The Government Finance Officers Association (GFOA) of the United States and Canada presented a Distinguished Budget Presentation Award to Central Arizona Water Conservation District, Arizona for its Biennial Budget for the Biennium beginning January 1, 2012. In order to receive this award, a government unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device.

This award is valid for a period of two years only. We believe our current budget continues to conform to program requirements and we are submitting it to GFOA to determine its eligibility for another award.



Colorado River Near Page Arizona

WHO WE ARE

Our Mission

Central Arizona Project is the steward of central Arizona's Colorado River water entitlement and a collaborative leader in Arizona's water community.

Our Vision

The Central Arizona Project will be a collaborative, innovative leader in the management and the delivery of water to central Arizona. It will enhance the state's economy and quality of life and ensure sustainable growth for current and future populations of Arizonans.

Our Values

Reliability: We will use every drop of Colorado River water available to us

Leadership: We will be a leader in local and regional water issues

Our Employees: Our employees are our most important resource

The Public Trust: We respect the trust we have earned from our constituents

The Environment: We will operate in an environmentally responsible manner

Our Beliefs

Central Arizona Project employees work with pride to create a safe, supportive and friendly workplace. We believe in:

- ◆ Employees who are reliable and principled
- ◆ Service that is top notch for our internal and external customers
- ◆ Work done professionally and responsively
- ◆ Relationships among employees and customers that are collaborative and innovative
- ◆ Community connection through volunteerism, charitable contributions and public education.

THE CAP SYSTEM



Aqueduct	Length (Miles)	Pumping Plants	Lift (Feet)	Tunnels & Siphons	Turnouts
Hayden-Rhodes	190	5	1,251	10	18
Fannin-McFarland	63	1	86	1	16
Tucson	83	9	1,569	1	12
Totals	336	15	2,906	12	46

CAP PROFILE

CAP was created in 1971 as the Central Arizona Water Conservation District (CAWCD or District) pursuant to state law. CAWCD is a three-county water conservation district. While generally having the same powers as a municipal corporation, CAWCD is a special district with duties focused on managing and providing water to a large region. CAWCD is the largest supplier of renewable water supplies in the state of Arizona. It is the state's largest contractor of Colorado River water with an entitlement of nearly 1.5 million acre-feet during normal supply conditions. An acre-foot of water is equal to approximately 326,000 gallons, enough water to serve about three average homes for a year in the CAP service area. CAP typically delivers its full allocation each year.



CAP Headquarters



CAP Headquarters

PURPOSES OF CAWCD

CAWCD has three primary purposes. First, it is the steward of central Arizona's Colorado River water entitlement and a leader in Arizona's water community. The District often projects 50 to 100 years into the future in preparation for meeting the current and future water needs for CAWCD customers, focusing on understanding the current and future reliability of Colorado River supplies, assessing current and future water needs in the CAWCD service area, identifying the mechanics of storing water underground and recovering it for future use, and identifying additional renewable water supplies that could be brought into the CAWCD service area.



Mark Wilmer Pumping Plant Shoreline

Secondly, CAWCD delivers Arizona's share of Colorado River water through a conveyance system that it also operates and maintains. The CAP aqueduct begins at the Arizona-California border near the confluence of the Bill Williams and Colorado Rivers at Lake Havasu and extends east and then south past Tucson to the Tohono O'odham Nation. The CAP system includes approximately 336 miles of aqueduct, 15 pumping plants, 12 tunnels and siphons and 54 turnouts. Using its pumps, CAP lifts water nearly 3,000 feet from the Colorado River to the CAP terminus just south of Tucson.

Finally, CAWCD is responsible for repaying the federal government the reimbursable costs associated with the construction of CAP. Over time, CAWCD's statutory responsibilities have expanded to include authorization to provide groundwater replenishment services through CAGR and to build, operate and maintain underground storage projects.

CAP HISTORY

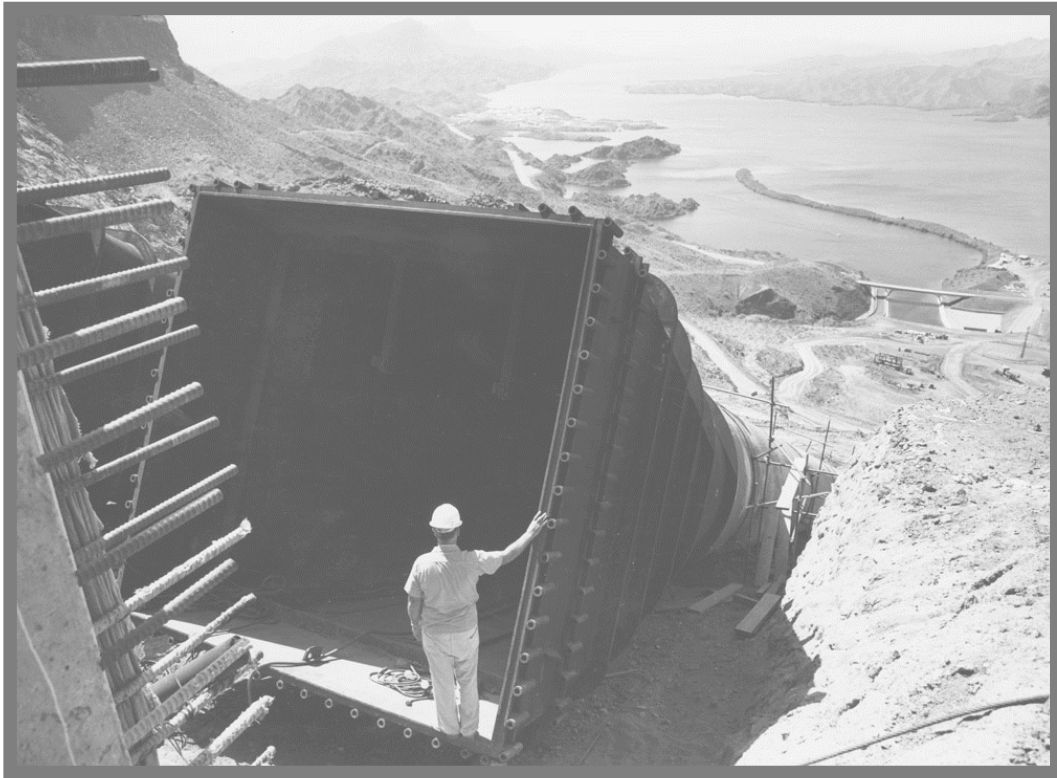
During the early 1900's, the seven states of the Colorado River Basin, Arizona, California, Nevada, New Mexico, Wyoming, Colorado and Utah, negotiated for shares of Colorado River water. In 1922, representatives from the seven states and the United States government created the Colorado River Compact, which divided the states into lower and upper basins and gave each basin 7.5 million acre-feet of water to apportion. Arizona, California and Nevada were sectioned into the lower basin and were instructed to divide their 7.5 million acre-foot allotment among themselves.

Arizona was in dispute over its share of the river, however, and was the last state to approve the Compact in 1944. Today in the Lower Basin, Arizona has rights to 2.8 million acre-feet of Colorado River water per year, California is entitled to 4.4 million acre-feet per year and Nevada has annual allocation of 300,000 acre-feet.

In 1946, the Central Arizona Project Association was formed to educate Arizonans about the need for CAP and to lobby Congress to authorize its construction. It took the next 22 years to do so and in 1968, President Lyndon B. Johnson signed a bill approving construction of CAP. The bill provided for the Bureau of Reclamation of the Department of the Interior to fund and construct CAP and for another entity to repay the federal government for certain costs of construction when the system was complete.



In 1971, CAWCD was created to provide a means for Arizona to repay the federal government for the reimbursable costs of construction and to manage and operate CAP. Construction began at Lake Havasu in 1973 and was completed 20 years later south of Tucson. The entire project cost approximately \$4 billion to construct.



Mark Wilmer Pumping Plant Construction

GOVERNANCE AND CAWCD

CAWCD is a municipal corporation and is governed by a 15 member popularly-elected Board. Board members are elected from Maricopa (10), Pima (4) and Pinal (1) counties and regularly meet monthly. Members serve staggered six-year terms and are not compensated for their time. CAP's daily operations are managed by more than 470 people who are responsible for system maintenance and operations, repayment obligations, public education and policy and creating water resource management programs for Arizona. Approximately two-thirds of the employees work at CAP headquarters located in north Phoenix, while the others work on the system and at the facilities located throughout the system.

CAWCD WATER USERS

CAWCD manages and operates the 336-mile Central Arizona Project (CAP). Through the CAWCD, CAP delivers Colorado River water to many different types of customers throughout its three-county service area, which is located in central and southern Arizona, encompassing Maricopa, Pima and Pinal counties. CAWCD’s expansive service area includes approximately 5.3 million people, roughly 80% of the state’s population and spans across 24,000 square miles of land, or 20% of the state. CAP’s headquarters are located along the aqueduct in north central Phoenix, the capital of Arizona.



CAP delivers water pursuant to delivery agreements between the federal government and Municipal and Industrial (M&I) and tribal stakeholders. Long-term contracts total 1.415 million acre-feet of water. Short-term excess CAP water is also delivered to several users via year-to-year contracts. Excess

customers include several businesses, agricultural irrigation districts, AWBA, CAGR, as well as state and federal government. Thus, on average, CAP delivers 1.6 million acre-feet of water annually.

	Maricopa	Pima	Pinal	Arizona
1990 Population	2,122,101	666,880	116,379	3,665,228
2000 Population	3,072,149	843,746	179,727	5,130,632
2012 Population	3,884,705	990,380	389,192	6,498,600
2045 Projected Population	6,564,780	1,445,955	1,081,954	10,886,000
Percent change projected between 2012 and 2045	69.0%	46.0%	178.0%	67.5%
2012 Labor Force	1,896,987	462,748	140,041	3,029,341
2012 Land Area (square miles)	9,222	9,184	5,374	113,635
2012 Unemployment Rate	7.1%	7.3%	8.9%	7.9%

AGRICULTURAL (AG) CUSTOMERS

Representing three of Arizona's five "Cs"— Cattle, Citrus, and Cotton — agriculture in Arizona is a \$10.3 billion a year industry. CAP's agricultural customers are primarily large irrigation districts that



deliver water to farmers. CAP reserves and makes available a volume of excess water (currently 400,000 acre-feet) for specific agricultural customers. As part of an overall agreement, agricultural users of CAP water relinquished their long-term NIA allocations in exchange for a limited volume of water reserved for their exclusive use. Commonly referred to as the Ag Pool, the volume of water will decline over time, and is available to CAP's agricultural customers

through 2030. Ag Pool use currently represents about 25% of CAP deliveries.

As with other stakeholders, CAP reaches out regularly to the agricultural community through informational meetings, tours and other briefings. This communication ensures that CAP learns of issues that are important to Arizona agriculture and likewise informs agricultural customers of matters facing the organization.

More information:

CAP-AZ.com > Departments > Water Programs > Allocations

MUNICIPAL & INDUSTRIAL (M&I) SUBCONTRACTORS

Cap does not treat water for drinking, but rather is the "wholesaler" that provides water to cities, water utilities and other entities. After treating the water, cities deliver it to residents. More than 50 cities and private water companies utilize CAP supplies to augment their water supplies, including Arizona's largest cities: Phoenix, Tucson, Mesa, Chandler, Glendale and Scottsdale. CAP M&I subcontract allocations



Downtown Phoenix

total more than 620,000 acre-feet. Most M&I customers take delivery of their full CAP allocation each year, either directly or through underground storage agreements. As cities build treatment plants and water delivery infrastructure, they are able to use more of their allocated CAP water.

CAP conducts regular tours and informational meetings to reach out to its M&I customer base, and staff members periodically tour customer facilities to learn more about their operations and water management. In addition, CAP sends out a monthly newsletter to municipal partners to keep them apprised of issues affecting CAP and their water.

More information:

[CAP-AZ.com](#) > [Departments](#) > [Water Programs](#) > [Allocations](#)

TRIBAL STAKEHOLDERS

Cap is the largest single provider of Colorado River water to Native American water users in the river system, delivering water to Indian communities in central and southern Arizona. Almost half (46%) of CAP's water supply is designated to Indian tribes. This water is used for a variety of purposes, including municipal (e.g., residential), farming, leases to cities and underground storage.



Although there are 22 tribes in Arizona, only nine currently have partially or fully resolved claims to CAP water. CAP, along with other stakeholders, continues to engage in settlement discussions with tribes, 11 of which still have unresolved or outstanding claims.

CAP is working to develop long-term relationships with tribal communities through outreach efforts that include invitations to tours, informational meetings and other public events. CAP also sponsors a tribal internship program, maintains a tribal webpage and publishes a newsletter that features articles of interest to tribes. As relationships with tribes have grown and continue to develop, CAP has organized and participated with several organizations in events with a tribal emphasis.

More information:

[CAP-AZ.com](#) > [Tribal Water](#)

CENTRAL ARIZONA GROUNDWATER REPLENISHMENT DISTRICT

Each year, CAP dedicates a volume of excess water to CAGRDR to enable CAGRDR to fulfill its statutory obligation to replenish groundwater used by members in CAP's three-county service area. Created in 1993, CAGRDR must replenish groundwater withdrawals made by new developments enrolled in the CAGRDR, and water providers and homeowners agree to pay the cost to replenish any amount of groundwater pumped beyond limitations set by the state. CAGRDR currently replenishes excess groundwater on behalf of 22 member service areas (MSA) and 1,105 member land (ML) subdivisions representing approximately 265,000 homes.

More information:
CAGRDR.com



Superstition Mountains Recharge Site

Revenue Collection

CAWCD collects revenues primarily through the sale of water and power, through collection of property taxes and through interest on investments held at the Arizona State Treasurer's office. The District sets water delivery charges for all customers to operate, maintain, repair and replace CAWCD infrastructure. CAWCD also collects assessments from CAGR customers. The District has a right to capacity in the NGS located in northeastern Arizona. To the extent that the CAWCD power demands are less than the resources available, the Western Area Power Administration (WAPA) sells the excess power to others and the revenue is available for repayment of CAP construction costs and other purposes.

CAWCD is authorized to assess two property taxes. A general ad valorem tax can be assessed up to \$0.10 per \$100 of assessed valuation in Maricopa, Pinal and Pima counties. A water storage tax can be assessed up to \$0.04 per \$100 of assessed valuation. The current rates in effect are \$0.10 and \$0.04, respectively, for the general ad valorem tax and water storage tax. CAP's property taxes are based on property's Net Assessed Value (NAV) which is the market-based Full Cash Value (FCV) multiplied by the assessment ratio for each specific property (e.g., the assessment ratio for residential property is 10%). When Proposition 117 takes effect in tax year 2015, all property will be taxed based on the Limited Property Value (LPV), which is lower than the FCV. This proposition limits the annual growth in the LPV of all locally assessed property to 5%. At a constant tax rate, CAWCD revenues will fluctuate based on the current NAV. As this is a critical input into CAWCD's revenue model, management has retained Elliott D. Pollack & Company, recognized as a local expert in the field of property value forecasting, to provide an extended forecast.

Tax Year July-June	Maricopa County NAV/LPV (\$M)	% Growth	Pinal County NAV/LPV (\$M)	% Growth	Pima County NAV/LPV (\$M)	% Growth	Total NAV/LPV (\$M)	% Growth
2009	\$57,984	-0.5%	\$3,399	-1.5%	\$9,841	2.7%	\$71,223	-0.2%
2010	\$49,663	-14.4%	\$2,673	-21.3%	\$9,346	-5.0%	\$61,682	-13.4%
2011	\$38,760	-22.0%	\$2,219	-17.0%	\$8,482	-9.2%	\$49,461	-19.8%
2012	\$34,400	-11.2%	\$2,177	-1.9%	\$8,171	-3.7%	\$44,749	-9.5%
2013	\$32,229	-6.3%	\$2,005	-7.9%	\$7,624	-5.7%	\$41,858	-6.5%
2014	\$35,194	9.2%	\$2,076	3.5%	\$7,868	3.2%	\$45,138	7.8%
2015	\$35,538	1.0%	\$2,143	3.2%	\$8,088	2.8%	\$45,768	1.4%
2016	\$38,119	7.3%	\$2,247	4.8%	\$8,554	5.8%	\$48,920	6.9%
2017	\$41,175	8.0%	\$2,389	6.3%	\$9,129	6.7%	\$52,694	7.7%

Sources: CAP; Maricopa County; Pinal County; Pima County; Elliott D. Pollack & Company May 2013

Footnote: Tax years 2009-2014 display Net Assessed Value (NAV), Tax years 2015-2017 show Primary Limited Property Value (LPV)

PUMPING POWER

CAP requires more than 2.9 million megawatt hours (MWh) of energy per year to move water 336 miles across the Arizona desert and 3,000 feet vertically. Power is used at the pumping plants to lift water where it then can continue to flow through the system by gravity to the next pumping plant. In an average day, CAP uses more energy than 140,000 homes use in a year. Besides the energy obtained from the NGS and Hoover Dam, CAP generates hydroelectricity when releasing water from Lake Pleasant.

CAP schedules power use and develops pumping strategies that most efficiently fulfill customers' requests using the system's 109 pumps. Although CAP runs 24 hours a day, schedulers utilize an on-peak/off-peak power schedule to maximize pumping during off-peak times when power is less in demand and less expensive. At times, CAP's peak power load may approach 500 megawatts (MW), nearly the amount used by 30,000 homes.



Power lines crossing canal

DISTRICT FUNDS

Central Arizona Project (CAP) accounts for its activities by means of four separate funds and accounts. Each fund and account represents a separate activity that has its own sources and uses of cash. Within each fund and account, revenues and expenses are further divided between operating and non-operating categories. Each of the funds and accounts is further explained in the Operating Budget section. The following key assumptions provide the framework and guidance for development of the 2014 / 2015 Biennial Budget. The assumptions and trends are discussed in the sections that follow:

General Fund

Largest share of Central Arizona Water Conservation District's (CAWCD or District) financial activities that include water deliveries, maintenance, underground storage, federal debt repayment, capital expenditures and other daily operations.

Assumptions

- Water rates are established prior to the beginning of the year based on estimated costs and water deliveries.
- Sufficient funds are included in the budget to ensure that all capital facilities and equipment are properly maintained.
- No contingency amount is included in the budget.

CAGR D Account

All activity of the Central Arizona Groundwater Replenishment District (CAGR D) for Member Service Areas (MSA) and Member Lands (ML) revenue collections, water replenishment obligations and related operating expenses.

Assumptions

- CAGR D rates include components for the cost of replenishment water, replenishment reserve, water rights and infrastructure and administration.
- Membership dues will continue to be collected at the current maximum level.

Supplemental Water Account

Funds that are held pursuant to the Ak-Chin Water Rights Settlement to acquire or conserve Colorado River Supplies. Previously known as the Ak-Chin Account, it has been renamed for clearer understanding as the funds are not for the benefit of the Ak-Chin community but rather a result of the settlement.

Assumption

- Interest accrues on balance and there are no anticipated expenses for the account during the budget period.

Captive Insurance Fund

This fund contains activity for the CAWCD Insurance Company (Captive), a tax-exempt wholly-owned corporation for CAWCD's self insurance of property, casualty and medical coverage.

Assumptions

- Premiums will be established actuarially.
- Reserves will be funded in accordance with legal requirements.



DISTRICT REVENUES

CAWCD has four major sources of funding:

Water delivery charges, which include water operations and maintenance (O&M) charges, capital charges and pumping power charges

Power and Basin Development Fund (BDF) revenues

Property taxes

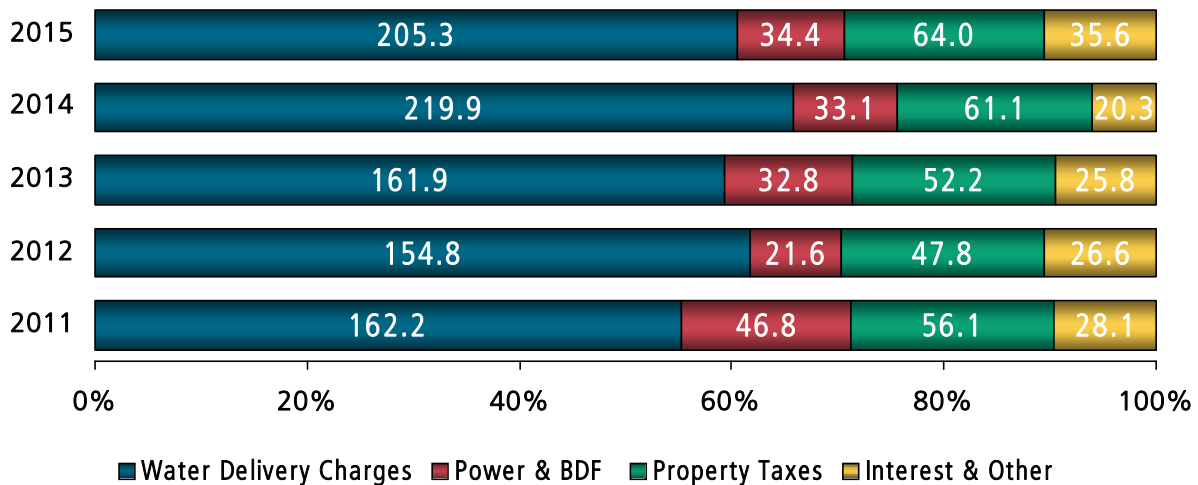
Interest income, reimbursement and other revenues

Water delivery charges are the District’s most significant revenue source, accounting for over 60% of the 2014 / 2015 budget. Power and Basin Development Fund (BDF) revenues represent over 10% of the 2014 / 2015 budget with the balance comprised of property taxes (19%), interest income, reimbursements and other revenues.

Each fund and account is accounted for individually to determine the performance of the specific activities within that fund. However, at the consolidated level, inter-fund activities are eliminated. For instance, CAGR D purchases water from CAP to meet its obligations. Within the General Fund it is shown as a revenue or sale of water while in the CAGR D Account it is shown as an expense. At the consolidated level, the transaction is eliminated, which is shown under eliminations.

Total Revenues

(In Millions) - 100% scale



The 2014 budget is \$61.7 million higher than 2013 projected revenues and 2015 is \$4.9 million higher than 2014. The major changes are discussed in the relevant revenue sections that follow.

<i>(In Millions)</i>	2013 Projected	2014 Budget	2015 Budget	14 vs 13 Incr/(Decr)	15 vs 14 Incr/(Decr)
Water O&M Charges	\$151.4	\$177.4	\$190.4	\$26.0	\$13.0
Capital Charges	10.5	42.5	14.9	32.0	(27.6)
Power & Other BDF	32.8	33.1	34.4	0.3	1.3
Property Taxes	52.2	61.1	64.0	8.9	2.9
Interest Income	1.7	(7.0)	6.7	(8.7)	13.7
Other Revenues	24.1	27.3	28.9	3.2	1.6
Total Revenues	272.7	334.4	339.3	61.7	4.9

WATER DELIVERY VOLUMES AND WATER DELIVERY CHARGES

Water Delivery Volumes

The delivery of wholesale, untreated surface water represents CAWCD's core business with deliveries to customers grouped into five major classes: municipal and industrial (M&I), agriculture, federal (Indian), underground storage and interstate water banking. Within these categories are long-term (subcontractors) and short-term (non-subcontract or excess) customers. CAWCD has various rate schedules for these customer classes based on contractual agreements (see page 8-3 in the Appendix section). No water is anticipated for interstate water banking.

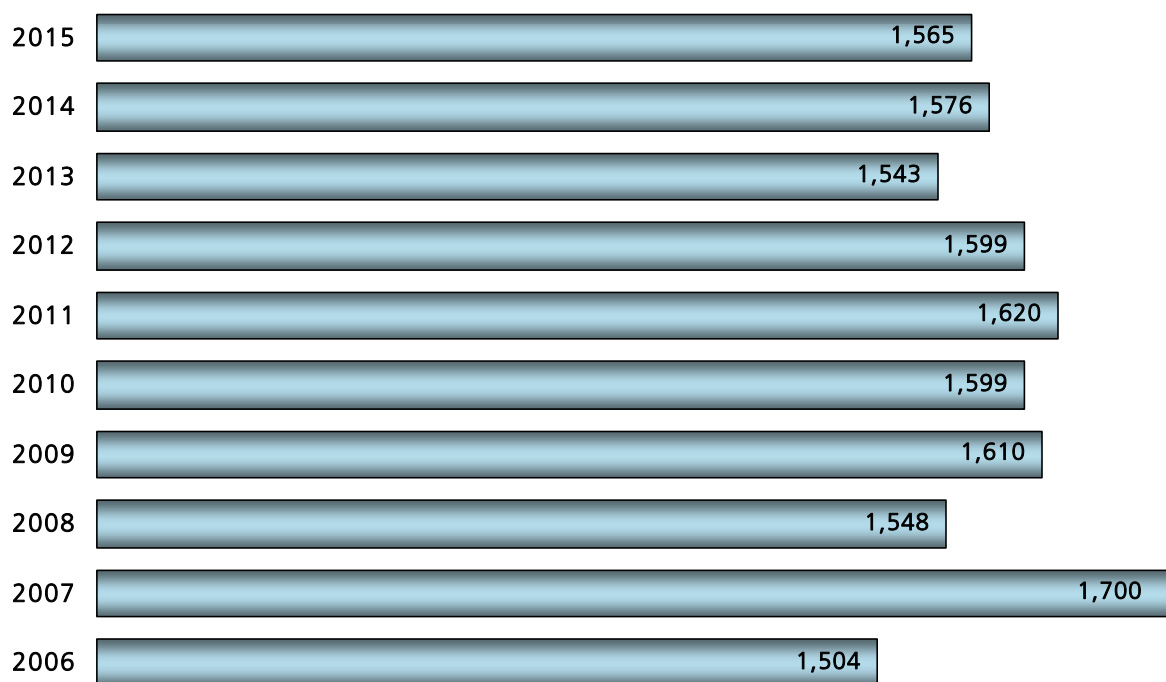
Historically, the volatility of water delivery volumes has been influenced primarily by weather conditions, water storage capacity (underground storage facilities) and the availability of surplus water on the Colorado River in any given year. M&I and federal water usage has been growing steadily. Consequently, while the availability of excess water (water that has not been ordered by long-term customers) is shrinking, underground water storage is an important component of CAWCD’s ability to use its full entitlement of any available water on the Colorado River.

Although the nominal CAP supply in a normal year is 1.5 million acre-feet, additional water (up to 1.9 million acre-feet or more) can be delivered in years when there is a declared surplus on the Colorado River. Conversely, less than 1.5 million acre-feet may be delivered if less water is available. For example, in 2001 and 2005, deliveries fell short of the normal deliveries due to unseasonably wet winters in the CAP service area. Additional water was available for diversion from the Colorado River; however, storage capacity was not available due to lack of operating underground storage facilities. In coordination with Arizona Water Banking Authority (AWBA) and now with adequate underground storage capacity, CAWCD plans to divert its maximum allocation each year, even during a surplus year.

Water Deliveries 2006 to 2015

Acre-Feet (000)

Excludes credits



During 2009, orders for excess water exceeded the available supply for the first time. Consequently, 2009 orders had to be adjusted to match the existing supply. As a result of this occurrence, CAWCD developed an "Access to Excess" policy for the allocation of excess water beginning in 2010. Available excess water is allocated to four pools, one for CAGRDR annual replenishment, one for AWBA and CAGRDR replenishment reserve, one for municipal customers and one for industrial and other customers.

Major Assumption

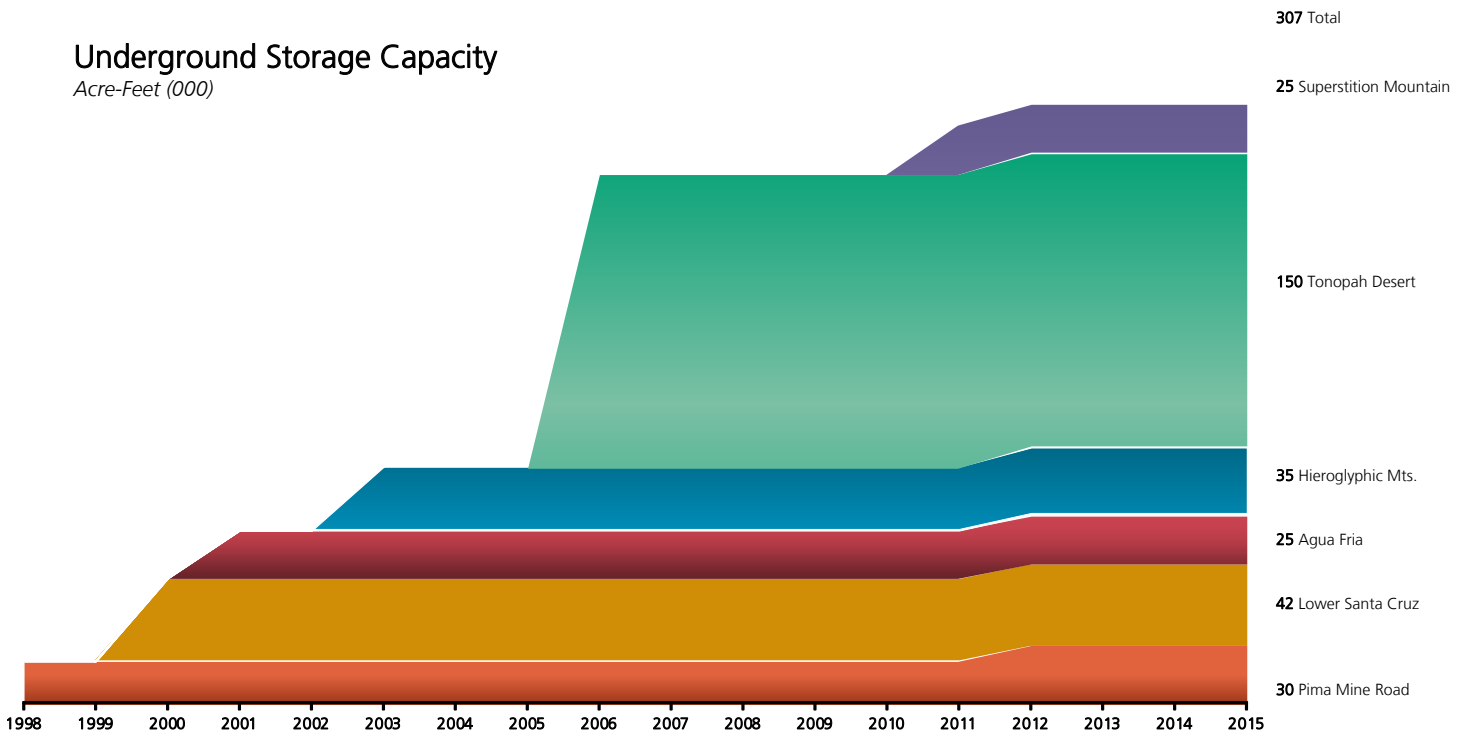
- The 2014 / 2015 budget assumes the continuation of normal deliveries to all customer categories. During shortage years, water delivery priority from high to low is as follows: (1) Indian (federal water) and M&I, (2) agriculture, and (3) excess and other (includes underground storage).



CAP Underground Storage Facilities

Underground Storage Capacity

Acre-Feet (000)



Water Delivery Charges

As prescribed in CAP's rate-setting policy, water delivery charges are set biennially in June (even years) for the upcoming two calendar years with firm rates for one year, provisional rates for the second year and advisory rates for the following four years. Provisional rates automatically become firm, unless the Board takes additional action. In 2012, CAP set the provisional rates for 2014. In 2013, due to unanticipated changes in power costs, the Board increased the 2014 rates, which became firm, and updated advisory rates for 2015 only. The revised rates for 2014 and 2015 were used to develop the water delivery budget. Due to the correlation between water delivery volumes and water delivery charges, assumptions used to explain water delivery volumes are pertinent for understanding water delivery revenues. The following table reflects water delivery volume assumptions and related revenues for 2013 through 2015 and actual water deliveries and associated revenues for 2011 and 2012.

Water O&M rates have three major components: fixed operations, maintenance and replacement (Fixed OM&R), pumping power and capital charges. Each of these components is discussed in the following sections.

Fixed OM&R Rate Component

The Fixed OM&R component of the rate is comprised of three parts: O&M costs, a capital replacement component ("Big R") and a rate stabilization component. The O&M costs are calculated to assume that all costs associated with fixed O&M are recovered. Water delivery costs are divided by total deliveries to calculate the O&M rate.

	2011 Actual	2012 Actual	2013 Projected	2014 Budget	2015 Budget
Volume <i>(acre-feet in thousands)</i>					
Municipal & Industrial	452.4	489.2	511.1	523.0	532.1
Agricultural	400.5	401.2	400.8	400.0	400.0
Federal	501.6	548.4	567.1	568.4	568.3
Underground Storage	265.2	160.0	63.7	84.9	65.0
Total Water Deliveries	1,619.7	1,598.8	1,542.7	1,576.3	1565.4
CAGR Credit Transfer	0.1	-	0.2	0.1	0.1
	1,619.8	1,598.8	1,542.9	1,576.4	1,565.5
Revenues <i>-net elims (dollars in millions)</i>					
Water O&M Charges	\$148.5	\$142.8	\$151.4	\$177.4	\$190.4
Capital Charges	13.7	12.0	10.5	42.5	14.9
Total Water Delivery Revenues	\$162.2	\$154.8	\$161.9	\$219.9	\$205.3

The capital replacement component funds annual major repairs and replacements, and capital improvement programs (CIP) related to water deliveries. However, to mitigate fluctuations in annual capital expenditures, the model is designed to smooth the rate and to recover the costs over several years rather than 100% in each year.

When the Board made the rates firm for 2012, a new rate stabilization component of \$5/AF was added, but absorbed within the previously published provisional rates. In order to offset the new rate stabilization, the “Big R” rate was reduced from \$24/AF to \$19/AF, which was consistent with the fact that some large capital projects had been deferred. The rate stabilization component will be deposited into a separate rate stabilization reserve and creates a deferred inflow balance of the rate stabilization fund and is projected to be \$20 million by the end of 2015.

The rate stabilization component is designated for two purposes. The first and most important is to create a reserve to smooth out a rate increase in the event of a shortage declared on the Colorado River. In the event of a shortage, water deliveries would be decreased which would cause the rate to increase for Fixed OM&R charges (lower denominator). In this event, reserves from the rate stabilization would be used to decrease the impact of the shortage over a two- to three-year period. The second purpose of the rate stabilization component is to provide a mechanism to stabilize rates from year-end reconciliation, if needed. Rates for M&I and federal customers are required to be reconciled each year and this fund will be used to “fine tune” the preset rate to the actual year-end rate and eliminate the need to bill additional charges to customers or issue refunds for small variations. This component allows customers to have predictability in their rates for budgetary planning.

M&I, federal, interstate and underground storage customers pay the full Fixed OM&R rate. In consideration of giving up their subcontract water rights, agricultural settlement pool customers’ Fixed OM&R is paid from ad valorem taxes.

Pumping Power Rate Component

The pumping power rate component relates to the energy costs associated with delivering water and includes a cost for the decommissioning of the Navajo Generating Station (NGS). Beginning in October 2011, CAP entered into new power agreements that provide access to additional power from NGS over the previous agreements. Previously there were three energy classes that have now been consolidated into a single energy class as part of the new energy regime. Through agreements with the U.S. Bureau of Reclamation (Bureau or BOR), CAP can operationally take advantage of two types of energy-saving activities if the market warrants it:

Shaping (Energy) – the process of shifting CAP pumping activity in time to allow for the sale of energy when prices are higher and the purchase of replacement energy when prices are lower, resulting in a net revenue gain while still meeting CAP water deliveries.

Displacement (Energy) – the process whereby energy available for CAP pumping is sold at a location with a higher market price (e.g., McCullough) and replacement energy is purchased at a location with a lower market price (e.g., Westwing or Palo Verde), resulting in a net revenue gain while still meeting CAP water deliveries.

There are no shaping and displacement savings planned during the budget period.

All customers pay pumping power, including agricultural customers. CAP currently offers incentives for agricultural customers if they meet specific delivery goals in three areas:

- meeting agricultural settlement pool delivery schedule
- partnering with AWBA or CAGR D as a groundwater savings facility (GSF)
- meeting recovery goals

Any incentives earned can only be applied to settlement pool deliveries.

Capital Charges

Capital charges, in combination with other revenue sources, are used to pay the District's annual repayment obligation to the federal government. CAWCD assesses a capital charge to M&I customers. These charges are based on water service subcontract allocations for M&I subcontractors and are not impacted by changes in water deliveries. Customers using excess water pay capital charges in the form of a facility-use charge based on scheduled water deliveries; federal customers do not pay a capital charge.

Several underground storage facilities (USF) were constructed using State Demonstration Project funds and General Fund reserves. When these facilities are used to store water for entities other than municipal, AWBA and CAGR D (e.g., interstate water banking, federal, industrial, etc.), an underground water storage capital charge is assessed to recover the costs of constructing these facilities.

Property Tax Equivalency

Entities that are outside of the three-county area pay a property tax equivalency charge that is equivalent to taxes paid by entities within the CAP delivery area.

Major Assumptions

- Water O&M revenues are projected at the current, firm, and advisory OM&R rates, net of the rate stabilization component.
- M&I capital charge and facility use rates will be \$20/acre-foot for 2014 and \$21/acre-foot for 2015.
- The agricultural incentives will be continued in 2014 and 2015 at the increased levels, as indicated in the rate schedule on page 8-3 in the Appendix section.
- 46,629 acre-feet of non-Indian agriculture (NIA) water will be allocated by the end of 2014. This reallocation will include back capital charges due to CAP, in the amount of approximately \$28.0 million.
- Delivery levels will be at the levels indicated on page 8-1 in the Appendix section.

POWER AND BASIN DEVELOPMENT FUND (BDF) REVENUES

CAP is a multi-purpose water resource project authorized by the Colorado River Basin Project Act and constructed by the BOR. This act established the Lower Colorado River Basin Development Fund (LCRBDF) maintained by the U.S. Department of the Treasury. Although the District is responsible for the operation and maintenance of CAP and repayment of the reimbursable construction costs, the United States retains a paramount right or claim in CAP arising from the original construction of CAP as a Federal Reclamation Project. The District's right to the possession and use of, and to all revenues produced by, CAP is evidenced by the Master Repayment Agreement, various laws and other agreements with the United States. Legal title to CAP will remain with the United States until otherwise provided by Congress.

Power revenues are earned from two sources: (1) the sale of excess energy associated with the Bureau's share of the NGS not needed for CAP pumping needs and (2) a surcharge on energy sold in Arizona from the Hoover Power Plant and the Parker-Davis Project. Other BDF activity includes: net transmission revenues, revenues associated with land-use agreements, sale of excess lands, energy shaping and displacement, other miscellaneous revenue, and the net revenues and expenses related to the operation and maintenance of the NGS.

Major Assumptions

- Surplus power revenues will be at the going market price for energy.
- Net power revenues are after covering net NGS operating expenses and capital costs on a cash basis.
- CAP has access to power from NGS that meets its operational needs and the remainder becomes part of net power revenues.
- Land sales and land use fees will occur as indicated below.

<i>(Millions)</i>	2013 Projected	2014 Budget	2015 Budget	14 vs 13 Incr/(Decr)	15 vs 14 Incr/(Decr)
SRP consideration fee	\$25.2	\$26.0	\$26.8	\$0.8	\$0.8
Net surplus power/ net NGS operations	(2.1)	(4.1)	(4.1)	(2.0)	
Hoover 4.5 Mil Revenue	3.4	3.2	3.2	(0.2)	-
Parker-Davis 4.5 Mil Revenue	2.7	2.7	2.7	-	-
Net CAP Transmission Revenues	1.8	1.8	1.8	-	-
Land Related Revenue	0.6	2.7	3.2	2.1	0.5
Misc NGS Revenues	1.3	0.8	0.8	(0.5)	-
	\$32.9	\$33.1	\$34.4	\$0.2	\$1.3

AD VALOREM TAXES

The District's enabling legislation authorizes the District to levy a general ad valorem tax throughout CAWCD's three-county service area (Maricopa, Pinal and Pima Counties) not to exceed \$0.10 per \$100 of Net Assessed Valuation (NAV). These taxes are used for CAP federal debt repayment, agricultural Fixed OM&R, Board-approved subsidies, recharge capital, smoothing project O&M expenditures and other purposes. This general ad valorem property tax was first levied beginning in the 1974 / 1975 tax year.

In 1996, the Arizona state legislature created the AWBA for purposes of increasing Arizona's use of its Colorado River entitlement and created the Arizona Water Banking Fund. The legislation also authorized CAWCD to levy a water storage property tax at a rate of \$0.04 per \$100 of NAV in Maricopa, Pinal and Pima Counties.



Canal - Salt River Siphon Outlet

Arizona Revised Statutes (ARS) § 48-3715-03.A provides that the Board shall determine whether all or any portion of such tax is to be applied to the payment or repayment of CAP construction or operating costs. If these monies are not needed by CAWCD for these purposes, they must be transferred to the AWBA to purchase excess CAP water for underground storage using either USFs or GSFs. Both of these underground storage activities generate underground storage credits for the purposes of firming CAP M&I water supplies. Prior to the 2003 / 2004 tax year, water storage taxes were deposited in the Arizona Water Banking Fund for M&I firming purposes. Beginning with the 2003 / 2004 tax year, the Board selected the alternative of CAWCD retaining the water storage tax, plus interest earned, in its own account, and use it to subsidize the OM&R cost of water purchased by the AWBA for firming of M&I supplies and related administrative costs. The Arizona Department of Water Resources (ADWR) agreed to this approach. Beginning with the 2009 / 2010 tax year, the water storage tax, plus interest earned, will be maintained in a CAWCD account for the general purpose of defraying operating costs.

The general ad valorem tax and the water storage tax rates are set annually for the next tax year by the Board on or before its August meeting.

The following tables show the historical rates assessed for each tax year and the revenues generated from each tax rate for the period of 2011 through 2015.

Tax Years (July-June)	General Ad Valorem Tax	Water Storage Ad Valorem Tax
1974-83	\$0.03	N/A
1983-84	0.05	N/A
1984-88	0.07	N/A
1988-95	0.10	N/A
1995-00	0.10	0.04
2000-03	0.09	0.04
2003-07	0.08	0.04
2007-13	0.06	0.04
2013-15	0.10	0.04

Calendar Year	General Ad Valorem Tax (Millions)	Water Storage Ad Valorem Tax (Millions)	Total (Millions)
2011	\$33.6	\$22.5	\$56.1
2012	28.7	19.1	47.8
2013	34.8	17.4	52.2
2014	44.1	17.0	61.1
2015	46.0	18.0	64.0

Major Assumptions

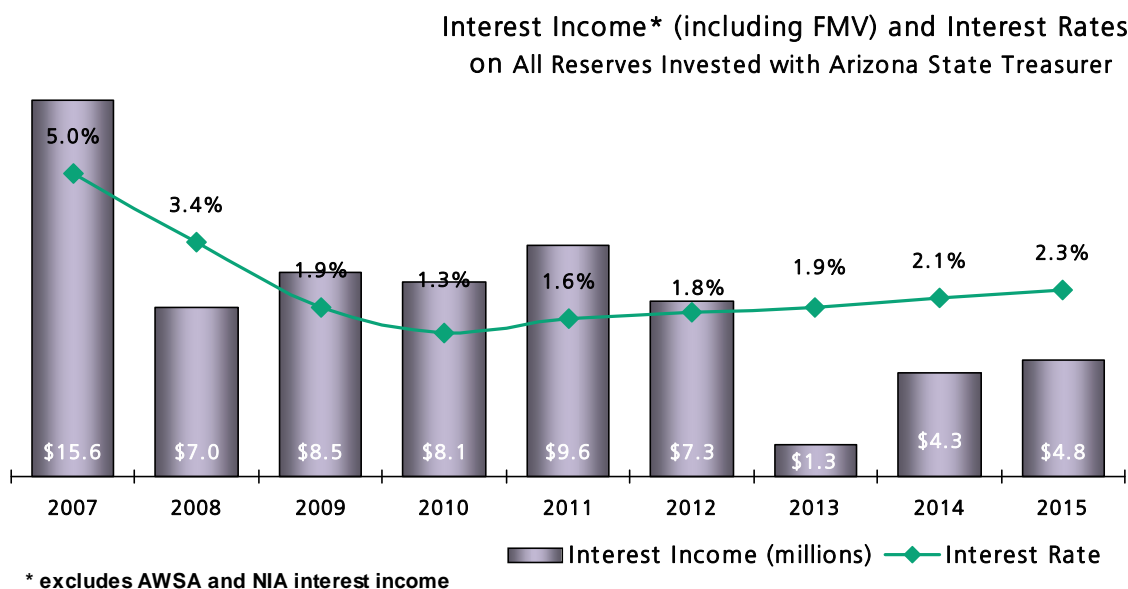
- The general ad valorem tax rate of \$0.10 per \$100 of NAV will remain at this rate throughout the budget period.
- The water storage tax rate of \$0.04 per \$100 of NAV will remain at this rate throughout the budget period.
- CAWCD will retain 100% of the water storage tax from the 2013 / 2014 and 2014 / 2015 tax years to defray CAP annual OM&R costs and repayment.

INTEREST INCOME

CAWCD is required by its enabling legislation to invest funds not currently needed for operations or dedicated to the repayment of revenue bonds with the Arizona State Treasurer. Funds invested earn interest and this interest is recorded in the appropriate accounts.

Since 2004, interest rates and fair market value (FMV) adjustments have fluctuated significantly impacting the District's reserves for all funds. As shown on the following graph, General Fund interest income and FMV were higher in 2007, declined in 2008 then remained flat for several years. The FMV adjustment is projected to be negative in 2013 due to an increase in interest rates and this trend will continue throughout the budget period.

The District receives interest on any late or back capital charges such as the NIA reallocation. It is expected that the District will have \$13.6 million in interest in 2014 related to the NIA reallocation. There will also be interest over the next few years as part of the 5-year payment plan, including \$1.9 million in 2015.



OTHER INCOME/GAIN-LOSS ON SALE OF CAPITAL ASSETS

Part of the payment CAP will receive for the NIA reallocation, is related to 9(d) debt service for which the District has assumed a liability from the United States Government. The asset is the Agricultural Water Allocation on the Statement of Net Position and the liability is the NIA 9(d) Debt. As the allocations are made, part of the payment is for the 9(d) debt that will be deposited into a separate reserve account. The asset is discounted based on the current value as a result of the payment schedule of the 9(d) debt payments. A corresponding write-down of the asset will be made upon the allocation that amounts to \$24.8 million in 2014.

Major Assumptions

- Interest rates for funds invested with the Arizona State Treasurer will increase in 2014 and 2015. For these years, it is assumed that the District's General Fund reserves are split approximately 24% among short-term and 76% longer term investments.
- The CAGR Account will earn 0.2% in each budget year (held in short term).
- The Supplemental Water Account will earn 2.1% in 2014 and 2.3% in 2015.
- There will be negative FMV adjustments during the budget period.

REIMBURSEMENT AND OTHER REVENUES

Other revenues collected by CAWCD or expenses reimbursed to CAWCD by other entities are recorded in this category. The following are examples of the type of revenues included in this category:

CAGR D assessments
Underground storage O&M revenues
Captive insurance premiums
Land use charges
Property disposal proceeds

Reimbursements and other revenues account for various miscellaneous items that may or may not occur each year and, as a result, will fluctuate from year to year.

Major Assumptions

- The following items are assumed to occur from 2013 to 2015:

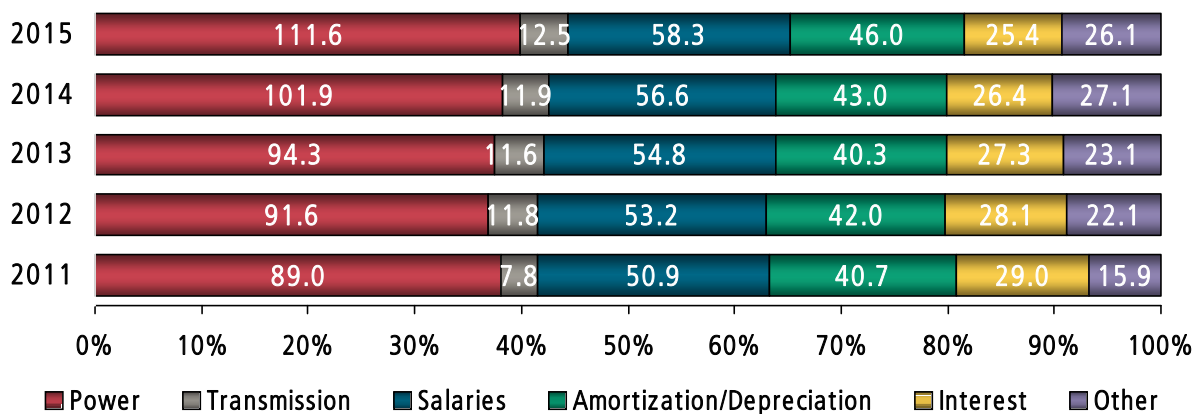
<i>(In Millions)</i>	2013 Projected	2014 Budget	2015 Budget
CAGR D Assessments	\$23,129	\$27,558	\$28,877
O&M of Underground Storage Facilities	1,129	971	1060
Land Use Charges	135	132	136
Property Disposal (Non-Capital)	14	14	15
Captive Insurance Premiums	7,144	7,735	7,933
Other	397	(6)	182
Eliminations	(7,878)	(9,153)	(9,368)
Total Reimbursements and Other Revenues	\$24,070	\$27,251	\$28,835

DISTRICT EXPENSES

District expenses are categorized as either operating or non-operating expenses. Operating expenses include pumping power, salaries and related costs, amortization and depreciation, and other operating costs. Non-operating expenses are associated with interest expense on the federal repayment obligation. Pumping power is the District's most significant expense, accounting for approximately 39% of the 2014 / 2015 budget. The second largest expense in 2014 / 2015 is salaries and related costs, followed by amortization and depreciation, other operating costs, interest expense and transmission expenses.

Total Expenses

In Millions - 100% scale



The 2014 expense budget is \$15.5 million higher than the 2013 projected expenses and the 2015 budget increases \$13.0 million over the 2014 budget. The major variances are shown below and will be discussed in the relevant expense sections that follow.

<i>(In Millions)</i>	2013 Projected	2014 Budget	2015 Budget	14 vs 13 Incr/(Decr)	15 vs 14 Incr/(Decr)
Pumping Power	\$94.3	\$101.9	\$111.6	\$7.6	\$9.7
Transmission	11.6	11.9	12.5	0.3	0.6
Salaries & Related Costs	54.8	56.6	58.3	1.8	1.7
Amortization & Depreciation	40.3	43.0	46.0	2.7	3.0
Interest Expense	27.3	26.4	25.4	(0.9)	(1.0)
Other Costs	23.1	27.1	26.1	4.0	(1.0)
	\$251.4	\$266.9	\$279.9	\$15.5	\$13.0

PUMPING POWER

The greatest variable affecting water delivery expenses is the cost of pumping power. While most General Fund operating costs (Fixed OM&R) will not vary with water deliveries, the cost of electricity to pump CAP water will. Pumping energy is consequently a variable cost. CAWCD anticipates using 2,977 gigawatt hours (GWh) of energy in 2014 and 2,978 GWh in 2015 to meet the District's pumping needs.



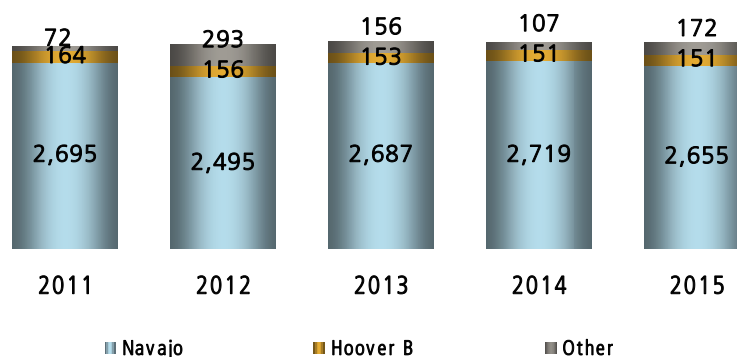
Picacho Pumping Plant

Nearly all of the pumping energy will be purchased from NGS and the Hoover Power Plant. Relatively small amounts of NGS power may be bought and sold on the open market in order to shape the pumping load, schedule maintenance activities or handle other economic conditions.

In 1984, the Hoover Power Plant Act authorized upgrading the Hoover Power Plant providing additional capacity and energy. It provides a small portion of the District's power needs and is the second lowest-cost power available to the District. Hoover C energy is the District's lowest-cost power source and is available during a declared surplus on the Colorado River. If the Secretary of the U.S. Department of the Interior declares a surplus on the Colorado River, additional water releases are made from Lake Mead, which makes Hoover C power generation available. No Hoover C is anticipated in the budget period.

The District has also established an Energy Risk Oversight Committee (ERO) that acts as an advisory committee on a variety of power and transmission-related issues affecting CAP operations.

Energy Purchases *Gigawatt Hours*



The District uses a portfolio approach for managing CAWCD's contract energy resources and transmission contracts. This approach focuses on designing a portfolio of projects that best meet the following guiding principles:

Minimizing volatility in cost paid by CAWCD without sacrificing reliability

Maintaining options for use of transmission

Leveraging use of existing transmission infrastructure

Bringing energy products to market

Willingness to commit capital to secure new transmission

Major Assumptions

- Energy costs increase significantly from 2011 through 2015 as a result of NGS operating costs, mostly related to fuel, inflation adjustments, regulatory requirements and a new water supply contract. Starting in 2015 the Mercury and Air Toxic Standards (MATS) are increasing operating and capital costs also. Loss on the sale of reserved energy and National Environmental Protection Act (NEPA) costs in anticipation of the future lease extensions also negatively impact the Navajo rate.
- Included in pumping power costs is an adjustment for the change in CAP water storage at Lake Pleasant. CAWCD can increase or lower the water stored in the lake to meet CAP operational needs. When water is pumped into the lake increasing the storage, CAWCD increases water for inventory and reduces pumping power costs. Conversely, when water is released from the lake, water for inventory is decreased and pumping power costs are increased. No or minimal Lake Pleasant adjustment is expected in 2014 / 2015. The Lake Roosevelt inventory cost adjustment is estimated to be \$0.3 million in 2014 and none in 2015.
- For 2014 and 2015, pumping power expenses are expected to be \$101.9 million and \$111.6 million, respectively.
- There will not be any pumping power costs related to recovery in the budget period.

TRANSMISSION

Transmission cost includes operations (delivery of pumping power) and maintenance activities.

Major Assumptions

- CAP will secure firm transmission to insure reliability due to recent issues that have emerged.
- CAP will maintain its contractual agreement with Western Area Power Authority (WAPA) for transmission line maintenance.

SALARIES AND RELATED COSTS

Salaries and related costs are the District's second largest expense category. CAWCD's workforce is projected to be comprised of approximately 479 full-time equivalent (FTE) positions. Of these, about one-third are assigned to the pumping plants and other locations along the aqueduct and the balance are assigned to headquarters in Phoenix. Approximately 90% of CAWCD's workforce is dedicated to the core water delivery business, including water delivery activities, capital projects, extraordinary maintenance projects and O&M of underground storage facilities.

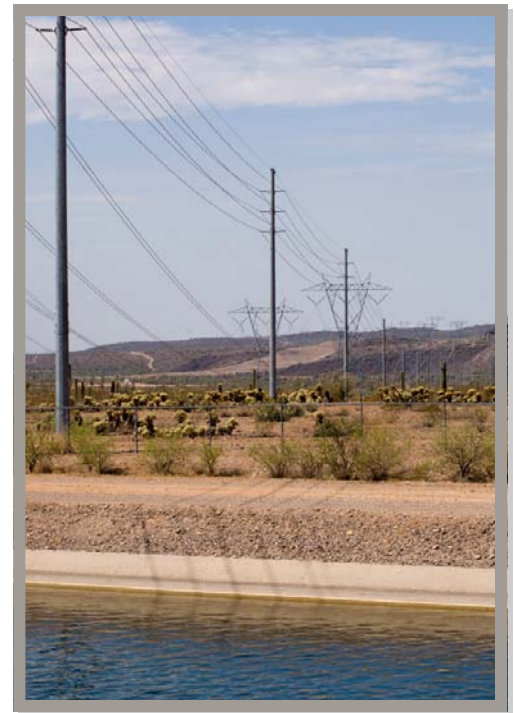
For 2014 / 2015, salaries and related costs are projected to increase slightly due to filling current vacant positions and an average 3% salary increase that has been estimated for each year based on current market surveys. CAP is seeing a significant number of retirements and prior to replacement, each position is reviewed to determine the most effective and efficient manner to fill the needs of that position and is evaluated on supporting the strategic objectives of CAP. There are no FTE additions in the 2014 / 2015 budget and FTEs have been held at approximately the same authorized budget level since 2011.

Although the departmental budgeted positions total more than this average, open positions and the lag time in filling those positions have created a vacancy savings equivalency of approximately 10 FTEs in past years. Due to the high level of retirements, vacancies have been higher than this estimate through management of posting and filling positions; this allowance has been increased to 15 FTEs for the budget years.

Section 7, Organizational Summary, includes details on the District's organizational structure and FTE detail.



Employee power washing equipment



Major Assumptions

- No new positions are requested in the budget period.
- Include a factor for vacancy / salary savings equivalent of 15 FTEs to reflect turnover and retirements.
- Include average salary and related increase of 3% per year to maintain a competitive compensation and benefits package.

AMORTIZATION AND DEPRECIATION

Amortization - The permanent service right (PSR) is an asset that represents the District's right to use the CAP system and collect revenues from operations, for which the District has incurred a repayment obligation to the United States.

Depreciation - The District records a depreciation expense for capital equipment additions and replacements and for capital projects. It is anticipated that this expense will increase each budget year.

Major Assumption

- Record an amortization expense related to the PSR, which is approximately \$23.0 million/year for 2014 and 2015.
- Include depreciation of \$20.0 million for 2014 and \$22.9 million for 2015.

INTEREST EXPENSE

CAWCD pays interest on the federal repayment obligation. Debt service requirement on the federal repayment obligation is known and the amount required to pay interest expense will decline as the debt is reduced each year.

Major Assumption

- Interest expense is \$26.4 million for 2014 and \$25.4 million for 2015.

OTHER EXPENSES

This category represents the remainder of the District's operating expenses. Operating expenses include outside services, materials and supplies, CAGR water purchases and other business-related expenses (e.g., travel, training, medical, property and casualty insurance, rentals, overhead, etc.). Eliminations are internal sales and expenses such as water that CAGR purchases and self-insurance expenses that the General Fund reimburses to the Captive Insurance Fund. These internal transactions are eliminated at the consolidated level.

As shown on the following table, the majority of other operating expenses are associated with the General Fund, which are primarily connected with Fixed OM&R. A portion of the General Fund expenses is related to O&M for the underground storage facilities. There are also expenses related to CAGR.

<i>(In Thousands)</i>	2014	2015
Recharge O&M	1,064	1,071
Multi-Species Conservation Program (MSCP)	1,824	2,665
Board elections	455	-
NGS economic—technical investigations	80	-
Transmission Economic - Technical Evaluations	-	80
Centennial Wash Siphon Repair	1,000	-
Pool 1 Embankment Improvement Feasibility Study	150	-
South Plant Fire Protection Conceptual Design Modeling	100	-
Colorado River Augmentation investigations	200	200
Weather Modification Program	150	150
Legislative Efforts	310	360
Legal Services	255	240
CAGR Water Acquisition	950	900

Major Assumptions

- The General Fund’s budget will include amounts to fund activities that support the Integrated Strategic Plan.
- The General Fund’s budget will include amounts for proper maintenance of facilities and equipment.
- Include key initiatives and items as indicated.
- The CAGR fund will include appropriate amounts to meet its replenishment obligation and support its water acquisition program.
- The Captive Insurance Fund will include expenses that are determined through actuarial calculations.

CAPITAL EXPENDITURES

Along with the District’s right to use the aqueduct system, CAWCD is responsible for the maintenance, repair and replacement of its equipment and infrastructure. This responsibility entails a CIP that may add to the existing asset base, improve or extend the life of existing assets or replace assets as they wear out. In addition, there are ongoing capital expenditures for vehicles and other equipment. CAWCD has a capitalization policy that is used to determine whether major maintenance efforts should be capitalized as additions or improvements, or expensed as repairs. Depreciation on capital assets is included in the General Fund.

CAWCD is experiencing increased costs and capital expenditures to repair, replace and add to the existing infrastructure and equipment. Expenditures for capital equipment have increased as major pieces of 25 or 30 year-old equipment are in need of replacement. Expenditures related to the CIP are increasing as shown in the following table:

<i>(In Millions)</i>	Equipment	Capital Projects	Total
2011	\$1.4	\$30.0	\$31.4
2012	3.0	31.5	34.5
2013	3.1	24.3	27.4
2014	7.3	33.6	40.9
2015	3.4	43.2	46.6

There are multiple CIP projects scheduled for the 2014 / 2015 budget. Major ongoing projects include: As-built drawings, chillers replacements and communication cable replacement . More recent projects scheduled during 2014 /2015 include: Arizona Public Service (APS) transmission line, condition-based monitoring installation, and the server room and multifunction space. Major projects that are scheduled to be completed in 2014 / 2015 include: Checks and Turnouts Replacement and Communication Cable Replacement. Detail on capital projects is in the Capital Budget section.

Major Assumptions

- The capital budget is funded on a pay-as-you-go basis.
- To be included in the 2014 / 2015 budget, the Project Steering Committee (PSC) must approve the project and support CAP’s strategic plan.
- Capital equipment over \$100,000 requires a financial/business case analysis to support inclusion in the budget.
- Fleet vehicles require a financial analysis to ensure the vehicles are being utilized as intended by CAWCD’s fleet vehicle policy.



Headquarters Building 2

SELECTED FINANCIAL DATA

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

All Funds

(In Millions)

	2011	2012	2013	2014	2015
	Actual	Actual	Projected	Budget	Budget
Operating Revenues	\$ 225.6	\$ 195.8	\$ 218.8	\$ 280.3	\$ 268.6
Operating Expenses	(204.3)	(220.7)	(224.1)	(240.5)	(254.5)
Operating Income/(loss)	21.3	(24.9)	(5.3)	39.8	14.1
Non-Operating Revenues	67.6	55.0	53.9	54.1	70.7
Non-Operating Expenses	(29.0)	(28.1)	(27.3)	(26.4)	(25.4)
Total Non-operating Revenues/(Losses)	38.6	26.9	26.6	27.7	45.3
Change in Net Position	59.9	2.0	21.3	67.5	59.4
Net Position at Beginning of Period	511.1	571.0	573.0	594.3	661.8
Net Position at End of Period	\$ 571.0	\$ 573.0	\$ 594.3	\$ 661.8	\$ 721.2

NET POSITION

All Funds

(In Millions)

By an order of magnitude, the largest amounts of Net Position are the federal repayment liability and the corresponding permanent service right asset. Other significant assets include CAWCD's restricted and unrestricted reserves and investments. Other significant liabilities include agricultural debt and accrued interest payable.

In connection with the Arizona Water Settlements Act (AWSA), CAWCD is liable for \$88.7 million in non-interest bearing agricultural debt and will, correspondingly, have a water right of \$88.7 million for 96,295 acre-feet of non-Indian agriculture (NIA) water. This water will be reassigned by the ADWR to M&I users, beginning in 2014. Interim assignment of this asset and debt to CAWCD facilitates completion of the AWSA and results in CAWCD never being out-of-pocket of any funds.

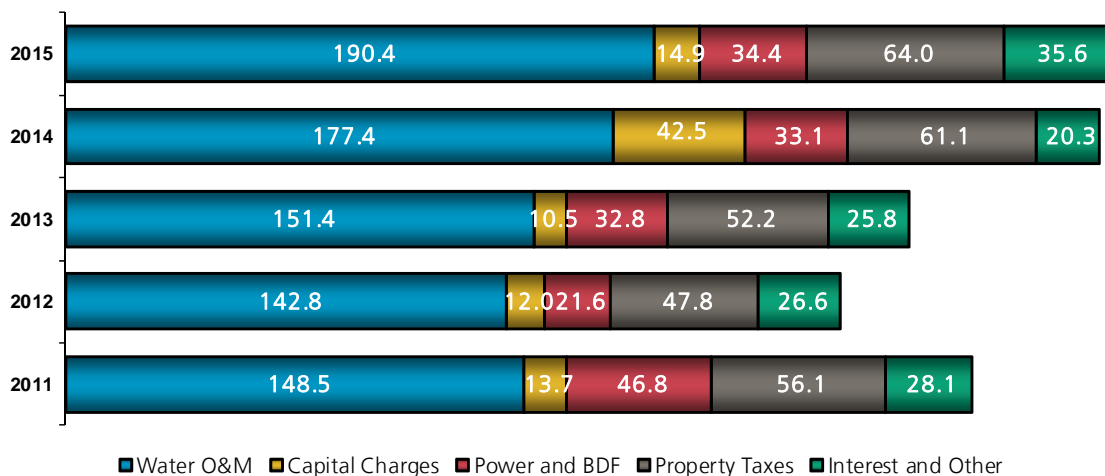
	2011	2012	2013	2014	2015
	Actual	Actual	Projected	Budget	Budget
Assets					
Cash and investments	\$ 293.0	\$ 308.6	\$ 298.2	\$ 331.8	\$ 355.1
Receivables	47.0	36.5	58.8	106.3	96.1
Water inventory	45.2	45.2	48.3	57.7	73.5
Capital assets					
Operating assets, Net	171.5	190.5	200.5	226.1	260.3
Permanent service right, net	1,253.9	1,227.4	1,204.4	1,181.4	1,158.3
Agricultural water allocation	88.7	88.7	88.7	45.8	45.8
Inventory and other	135.4	126.4	126.8	130.5	123.3
Total Assets	\$ 2,034.7	\$ 2,023.3	\$ 2,025.7	\$ 2,079.6	\$ 2,112.4
Liabilities					
Repayment obligation	\$ 1,282.8	\$ 1,256.5	\$ 1,230.1	\$ 1,203.8	\$ 1,172.4
Non-Indian agriculture 9(d) debt	88.7	88.7	88.7	88.7	88.7
Other liabilities	90.1	96.9	100.8	110.9	113.0
Total Liabilities	1,461.6	1,442.1	1,419.6	1,403.4	1,374.1
Deferred Inflow					
Customer deposits	2.1	8.2	11.8	14.4	17.1
Total Deferred Inflow	2.1	8.2	11.8	14.4	17.1
Net Position					
Investment in Capital Assets, less related debt	142.5	161.4	174.8	203.7	246.2
Restricted	95.3	92.4	92.4	88.9	86.6
Unrestricted	333.2	319.2	327.1	369.2	388.4
Total Net Position	571.0	573.0	594.3	661.8	721.2
Total Liabilities, Def Inflows & Net Position	\$ 2,034.7	\$ 2,023.3	\$ 2,025.7	\$ 2,079.6	\$ 2,112.4

TOTAL REVENUES

(In Millions)

	2011	2012	2013	2014	2015
	Actual	Actual	Projected	Budget	Budget
General Fund Operating					
Water O&M charges	\$ 153.0	\$ 146.1	\$ 157.0	\$ 182.1	\$ 195.5
Water service capital charges	14.3	12.5	11.2	43.1	15.4
Power & BDF revenues	46.8	21.6	32.8	33.1	34.4
Other revenue	1.9	2.0	1.7	1.1	1.4
Total General Fund Operating	216.0	182.2	202.7	259.4	246.7
General Fund Non-operating					
Property taxes	56.1	47.8	52.2	61.1	64.0
Interest and other	9.2	6.9	1.5	(7.2)	6.5
Total General Fund Non-operating	65.3	54.7	53.7	53.9	70.5
General Fund Total	281.3	236.9	256.4	313.3	317.2
Other Funds and Accounts					
CAGR	15.3	18.1	23.1	27.7	29.0
Supplemental Water	0.3	0.2	0.1	0.1	0.2
Captive Insurance	3.3	7.2	7.2	7.7	7.9
Eliminations	(7.0)	(11.6)	(14.1)	(14.4)	(15.0)
Total Revenue	\$ 293.2	\$ 250.8	\$ 272.7	\$ 334.4	\$ 339.3

All Funds by Revenue Type

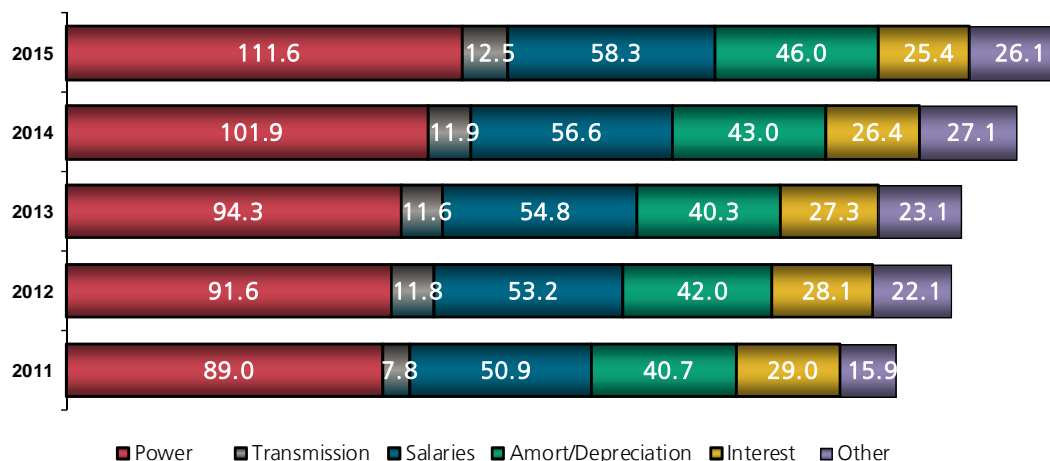


TOTAL EXPENSES

(In Millions)

	2011	2012	2013	2014	2015
	Actual	Actual	Projected	Budget	Budget
General Fund Operating					
Pumping power	\$ 89.0	\$ 91.6	\$ 94.3	\$ 101.9	\$ 111.6
Transmission	7.8	11.8	11.6	11.9	12.5
Salaries and related costs	51.1	52.6	54.2	56.0	57.7
Amortization and depreciation	40.7	42.0	40.3	43.0	46.0
Other expenses	17.0	21.6	23.7	25.0	24.3
Total General Fund Operating	205.6	219.6	224.1	237.8	252.1
General Fund Non-operating					
Interest and other	29.0	28.1	27.3	26.4	25.4
Total General Fund Non-operating	29.0	28.1	27.3	26.4	25.4
General Fund Total	234.6	247.7	251.4	264.2	277.5
Other Funds and Accounts					
CAGRD	5.1	6.1	7.5	9.7	9.6
Supplemental Water	-	-	-	-	-
Captive Insurance	0.5	6.6	6.6	7.4	7.8
Eliminations	(7.0)	(11.6)	(14.1)	(14.4)	(15.0)
Total Expenses	\$ 233.2	\$ 248.8	\$ 251.4	\$ 266.9	\$ 279.9

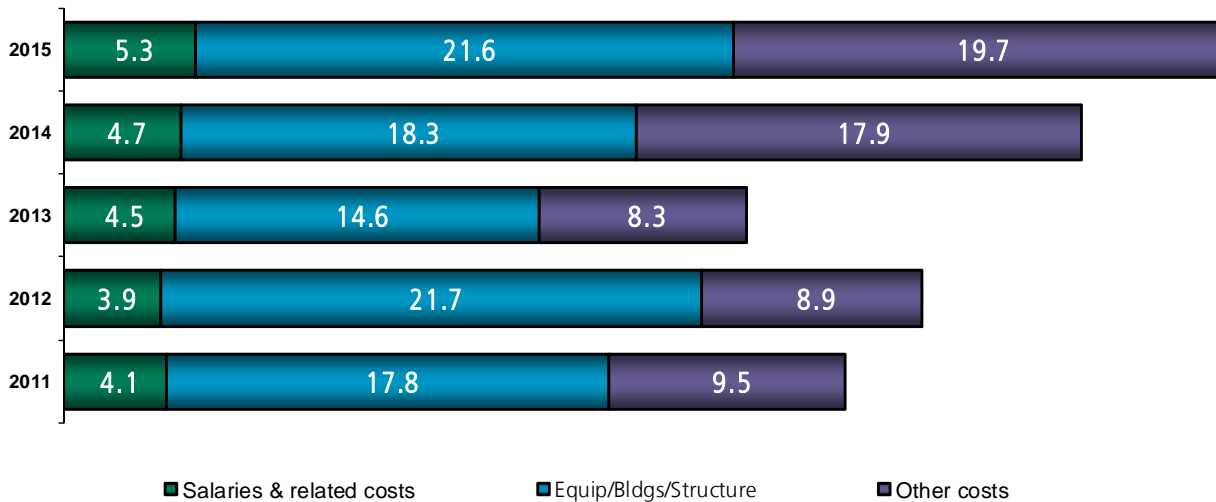
All Funds by Expense Type



CAPITAL BUDGET

(In Millions)

	2011 Actual	2012 Actual	2013 Projected	2014 Budget	2015 Budget
Salaries and related costs	\$ 4.1	\$ 3.9	\$ 4.5	\$ 4.7	\$ 5.3
Equipment, buildings, and structures	17.8	21.7	14.6	18.3	21.6
Outside services	4.6	3.7	2.8	12.6	14.3
Other expenses	4.9	5.2	5.5	5.3	5.4
Total Capital	\$ 31.4	\$ 34.5	\$ 27.4	\$ 40.9	\$ 46.6

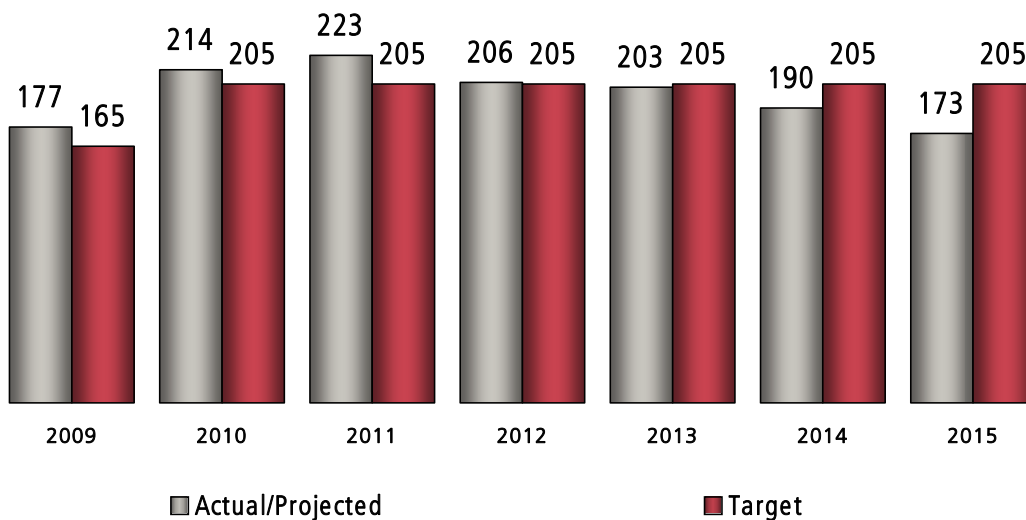


STRATEGIC RESERVES

Water rates and other charges are set in such a way as to allow CAWCD to cover its costs and maintain adequate reserve level. It is impossible to precisely break even every year due to the uncertainties associated with actual water deliveries and the fact that rates are set ahead of time. In addition, fluctuations in capital spending will also cause strategic reserves to fluctuate year-to-year.

In March 2010, the Board set its strategic reserve targets to \$205 to \$210 million (based on end of year balances). Strategic reserves are projected to be below target temporarily at \$190 million for 2014 and \$173 million in 2015. The main drivers of this temporary decrease is negative FMV adjustments and the timing of some significant capital projects in this budget period.

Strategic Reserves
\$ Millions



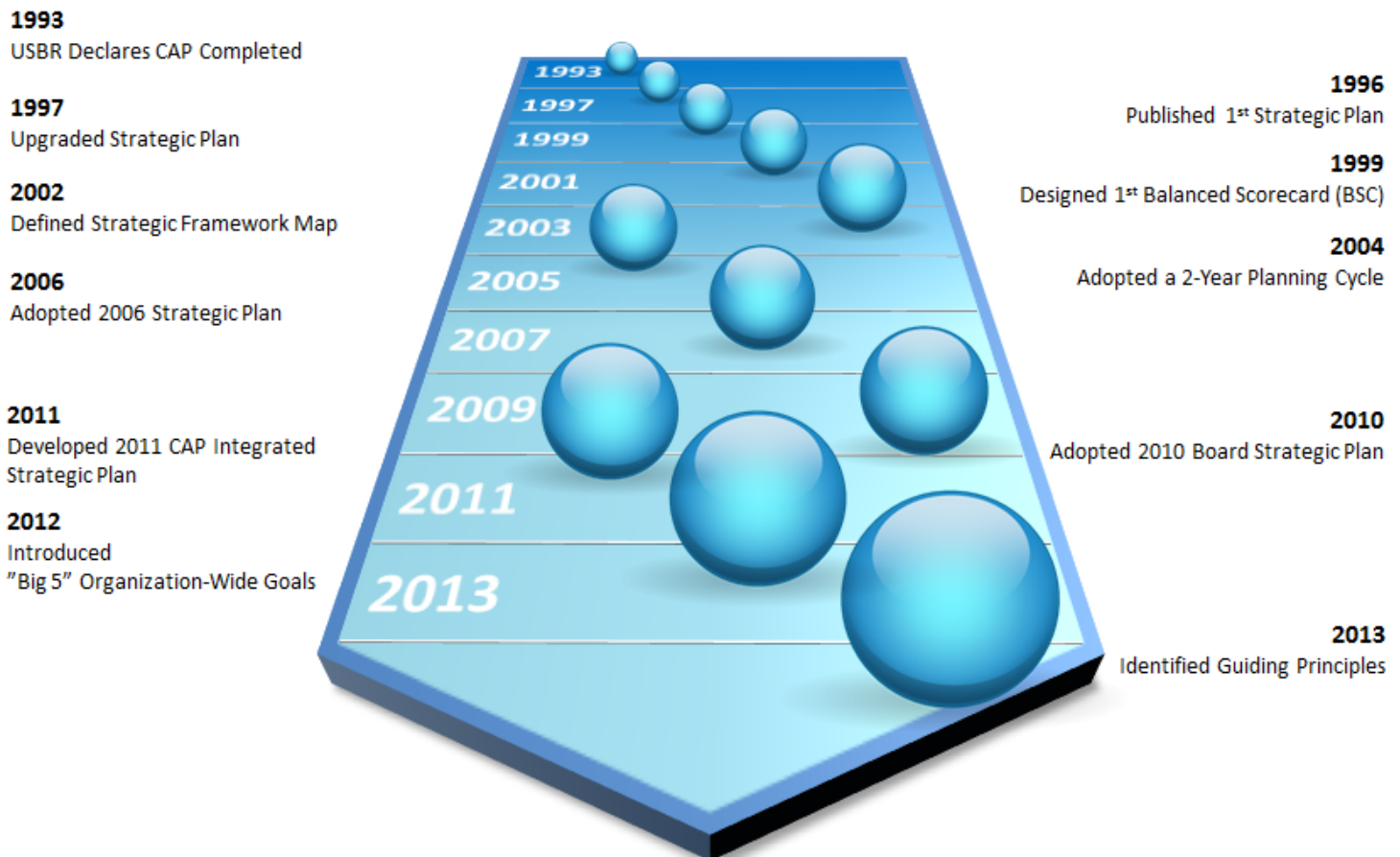
STRATEGIC PLAN

INTRODUCTION & HISTORY

The Central Arizona Water Conservation District (CAWCD or District) Board of Directors (Board) first broached the subject of strategic planning in 1995, about two years after the construction of the Central Arizona Project (CAP) water delivery system was declared "substantially complete" by the U.S. Bureau of Reclamation (BOR). The first Strategic Plan was published in May 1996 and identified three key strategies that are still important today: maximizing the use of the Colorado River water supply, relationships with constituents and other stakeholders and replenishment. Within each of these strategies, specific programs were identified that would help to accomplish these objectives.

During 1997, CAP published its first Business Plan, which reported accomplishments against the Strategic Plan outlined above and identified additional objectives for the upcoming year. An updated Strategic Plan was adopted in December 1997 that identified five broad strategic areas, including managing financial performance, ensuring system reliability, shaping and influencing the beneficial use of CAP water, maintaining customer and community relationships and effectively managing CAP's human resources. Twenty-two individual programs supporting these objectives were identified and began to take shape. Accomplishments and objectives were reported annually to the Board.

CAWCD STRATEGIC DEVELOPMENT TIMELINE



In early 1999, CAP began the process of designing its first Balanced Scorecard, which provided a means to measure the degree to which the strategic objectives were being accomplished. Several designs were explored as strategies, programs, action plans and measures were organized, reorganized, combined and differentiated.

Beginning in 2000, CAP's Budget and Business Plan were integrated into a single document. Performance goals, objectives and measures were dispersed throughout the organization and individual departments began to incorporate these features into their planning processes.

During 2001, the Balanced Scorecard began to coalesce around five "Key Result Areas (KRAs)": Human Resources, Operations and Maintenance, Customer and Community Relationships, Water Management and Financial Stability. In 2002, the KRAs were further modified and a sixth KRA, Technology, was added. The KRAs were organized into a Strategic Framework Map, incorporating individual strategies beneath each KRA.

Although previous budgets had included reporting of accomplishments, strategic objectives and performance measures, the Balanced Scorecard first appeared in the 2003 budget.

This Strategic Framework Map and the associated Balanced Scorecard, with certain improvements and revisions, remained in place through 2006. CAP developed measures for each of the strategies, targets for each of the measures and a scoring system to quantify performance for the individual strategies and the Balanced Scorecard as a whole.

In late 2004, the Board adopted a two-year planning cycle in order to allow more time for long-range and strategic planning. During odd years, two-year budgets and business plans would be completed and, during even years, long-range financial plans (LRFP), water rates and strategic plans were to be addressed.

By 2005, the Board and management began to feel a need to build a new Strategic Plan from the ground up. Some of the Balanced Scorecard measures, while still important to the business, had become more tactical than strategic. Some measures would more appropriately be tracked at the departmental level rather than as organization-wide measures. The KRAs and strategies needed more input and direction from the Board.

Consequently, during much of 2006 in a series of retreats and work/study sessions, the Board and staff developed a new Strategic Framework Map which, not surprisingly, reflected many of the themes that had appeared in previous strategic plans. The new Strategic Map contained six KRAs: Water Supply, Leadership, Public Trust, Project Reliability, Electrical Power and Replenishment. Within each KRA, strategic issues were identified by the Board, strategic objectives were established for each strategic issue and individual action plans were put in place to address each strategic objective. There were more than seventy individual action plans. The Board also updated CAWCD's Mission Statement and Values.

In 2007, a new Balanced Scorecard was developed to correspond to the 2006 Strategic Plan. Fourteen strategic issues and the associated action plans were selected to comprise the updated Balanced Scorecard. The 2007 scorecard was similar in structure to the scorecard it replaced, with measures for each strategy, a target for each measure and a scoring system for the individual strategies and the scorecard as a whole. The 2007 scorecard continued in use through 2010, with minor modifications.

In 2009 and early 2010, the Board once again updated CAP's Strategic Plan. As in earlier incarnations, the Strategic Framework Map was modified to reflect the Board's priorities. The Leadership and Public Trust KRAs were combined, Project Reliability, Water Supply, Electrical Power and Replenishment continued as individual KRAs, and Finance was re-established as its own KRA. The 2010 CAWCD Board of Directors Strategic Plan was published in February 2010 with ninety-nine individual Action Plans. However, unlike previous updates of the Strategic Plan, the work was just beginning.

During 2010, CAP undertook two comprehensive studies, an Enterprise Management Assessment and a Maintenance Organization Assessment. The first study was a high level review of management practices and effectiveness; the second study was a focused look at CAP's Maintenance organization to build and expand upon activities and work that had been completed earlier in the decade. In addition, through a series of management meetings, focus groups and employee workshops, the 2010 Board Strategic Plan was expanded to include an unprecedented level of input from throughout the organization. The efforts from the two studies and the expanded strategic planning exercise were closely coordinated and cross-validated to produce the 2011 CAP Integrated Strategic Plan, which is further described in the following sections.

In 2011, the Balanced Scorecard was retired, and the Strategic Plan itself began to be used to track and manage strategic initiatives, objectives and accomplishments. In 2012, the "Big 5" Organization-Wide Objectives were introduced in conjunction with CAP's modest but first organization-wide incentive compensation program tied with the accomplishment of these objectives.



STRATEGIC PLAN

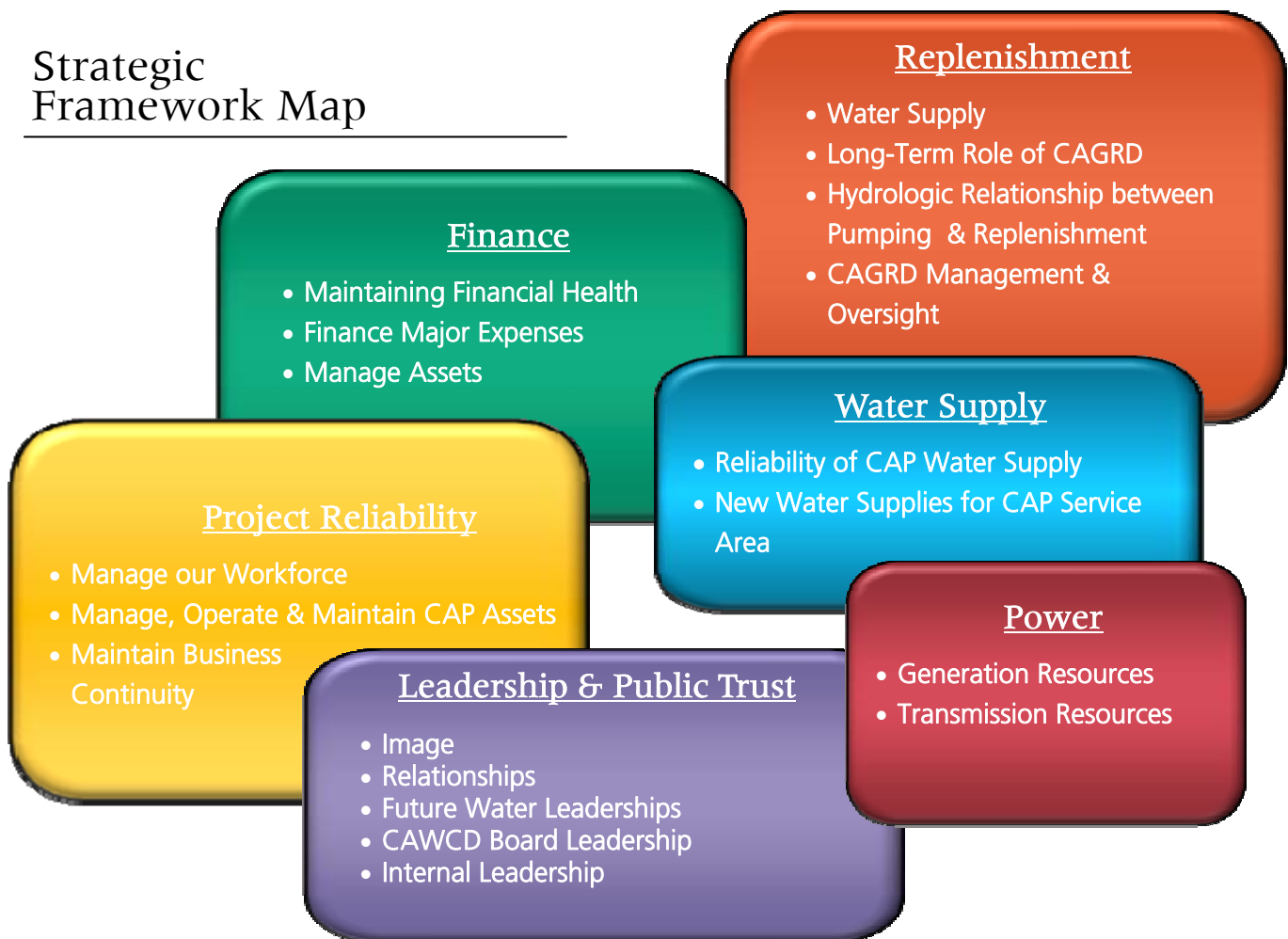
STRATEGIC FRAMEWORK

The 2011 CAP Integrated Strategic Plan represents the fourth generation of the Strategic Plan. As with prior versions of the Strategic Plan, the 2011 CAP Integrated Strategic Plan is organized around several KRAs. Under each KRA, important strategic issues have been identified, along with strategic objectives associated with each strategic issue and the action plans necessary to achieve each result. This hierarchy of issues, objectives and action plans is referred to as the CAP Strategic Framework and it serves as the context for many other planning activities at CAP, not the least of which are the Biennial Budget and the “Big 5” Organization-Wide Objectives.

The 2011 CAP Integrated Strategic Plan includes the following KRAs:

- Leadership and Public Trust
- Finance
- Project Reliability
- Water Supply
- Power
- Replenishment

Strategic Framework Map



Leadership & Public Trust

The 2011 CAP Integrated Strategic Plan emphasizes enhancing the image of CAP and increasing knowledge and visibility of CAP through educational endeavors, public speaking engagements, media coverage, collaboration with other governmental entities and development of useful, easily understood and readily available information on water and power issues. Programs to prepare and support Board members for their leadership role continue to be important, as do efforts to educate and develop the future leaders of CAP and the greater water community. The 2011 Integrated Strategic Plan includes a number of action plans that support maintaining and improving relationships with our customers and other stakeholders, enhanced community involvement and development of internal leadership.

Finance

Coordination of numerous and increasingly complex financial strategies, programs and processes, and clear and effective communication of financial issues to the Board and stakeholders are two important themes in this strategic plan that contribute to the objective of maintaining CAP's financial health. Since the bulk of CAP's revenue is created through water rates, maintaining a transparent, stable and predictable cost-of-service-based rate methodology continues to be an important initiative.

As the CAP infrastructure nears full utilization and grows older, the cost of capital expenditures is increasing. Consequently the development of flexible financing alternatives and the coordination of sources and uses of funds are also becoming increasingly important. As new initiatives are undertaken in the other KRAs, particularly Water Supply, Replenishment, Power and Project Reliability, the financing, revenue generation and asset management aspects of those initiatives must also be appropriately addressed.

Water Supply

CAP currently has junior priority with respect to water rights on the lower Colorado River. This means that in times of shortage CAP will be one of the first to have its supply reduced. Therefore, protecting and optimizing our water supply is critical. The 2011 Integrated Strategic Plan includes a number of action plans in this area, from continuing to coordinate with other Basin states, the United States and Mexico on areas of common interest, exploring alternatives to protect and enhance the existing Colorado River supply and mitigate regulatory and environmental threats to the supply.

In earlier strategic plans, the Board identified securing additional water supplies as a key objective, and the Acquisition, Development and Delivery (ADD) Water process began in 2007. The pursuit of a standard form wheeling contract with the BOR that grew out of this program, as well as water acquisition programs for Central Arizona Groundwater Replenishment District (CAGR) and efforts to reallocate existing CAP supplies are included in the plans for 2014-2015.

Despite a brief respite from the threat of shortage due to an uncharacteristically wet winter in 2010-2011, a multi-year drought in the Colorado River basin persists, and the most recent forecasts by the BOR indicate that a shortage may be declared as early as 2016. While the initial anticipated shortage will not impact municipal and industrial (M&I) or Indian long-term contract deliveries, plans remain in place to complete and implement CAP's recovery plan in cooperation with the Arizona Water Banking Authority (AWBA) and other stakeholders in order to prepare for deeper shortages that will likely occur in the future.

Project Reliability

Project Reliability encompasses not only the maintenance of the physical CAP system, but also processes and people. Consequently, the 2011 Integrated Strategic Plan devotes a considerable amount of attention to managing our workforce, including objectives and action plans in the areas of maintaining a healthy, safe and secure work environment, establishing CAP as an “Employer of Choice” and maintaining high levels of skills and job proficiency. As a result of the efforts to expand the 2011 CAP Integrated Strategic Plan internally, the areas of recruitment and succession planning, institutional knowledge capture and training of both new and existing employees have received additional emphasis.

As more equipment and systems need replacement and the capital program grows, initiatives devoted to condition-based monitoring and reliability-centered maintenance are essential to the continued effective operations and maintenance of CAP’s infrastructure.

Process improvements include the continued refinement of the Maintenance Excellence program, first adopted in 2003, into a comprehensive Enterprise Asset Management program, increased utilization of technology, enhanced project management techniques and multi-disciplinary partnerships.

Finally, environmental stewardship and sustainability, risk management and preparedness for business disasters and threats continue to make up an important part of our strategic plan.

Power

CAP is the largest consumer of electricity in Arizona. It takes over 2.9 million megawatt hours (MWh) of energy each year to pump CAP’s Colorado River apportionment into its service area. Most of this energy comes from the Navajo Generating Station (NGS), of which the BOR is allotted approximately 24% of the capacity for the operation of CAP.

As a coal-burning plant, NGS continues to come under increasing emission control regulation. Rules on coal ash, mercury and other contaminants and nitrogen oxide related to visibility standards have all been promulgated by the Environmental Protection Agency (EPA) in 2012 and 2013, and final rulemaking is ongoing. Because NGS is such a large, low-cost component of CAP’s power portfolio, the 2011 Integrated Strategic Plan places considerable emphasis on effectively managing existing power resources while developing reliable, sustainable and cost-effective replacements.

Since CAP’s pumps, which consume the power produced by NGS and other sources, are located all along the 336-mile CAP canal, maintaining reliable and cost-effective transmission resources are also an important component of the Strategic Plan.

Replenishment

In accordance with 1993 legislation, CAGRDR, which is a part of CAWCD, provides replenishment services within the CAP service area to replace groundwater used by its members who are unable to take CAP water (or other surface water supplies) directly. Although CAGRDR has developed a plan of operation that identifies water supplies that are potentially available to meet its projected replenishment obligations, the actual volume of water rights that CAGRDR currently holds is minimal. Due to the growth that has occurred in Arizona, membership has also grown in CAGRDR.

The 2011 Integrated Strategic Plan reaffirms the need for CAGR D to acquire sufficient water supplies to meet obligations and develop the financing necessary to do so. As part of a new CAGR D Plan of Operation that must be submitted by 2015, CAGR D will re-evaluate the long-term role of CAGR D, including potential new enrollment conditions, mechanisms and alternatives for meeting current and future members' needs. CAGR D will work with the Arizona Department of Water Resources (ADWR) and other stakeholders to identify areas where excessive groundwater declines are possible and to investigate ways for CAGR D to help mitigate such declines.



STRATEGIC PLAN

2011 INTEGRATED STRATEGIC PLAN

The latest version of CAP's Strategic Plan is the 2011 CAP Integrated Strategic Plan.

The genesis of the 2011 Integrated Strategic Plan was in the 2010 Board's Strategic Plan published in February 2010. The 2010 Board Plan was the result of an update of the 2006 Plan by the Board.

After the adoption of the 2010 Board Plan, CAP conducted two studies. The Enterprise Management Assessment reviewed management practices and effectiveness in the following areas:

- Organization/Structure
- Mission/Vision Suitability and Sustainability
- Governance
- Planning Effectiveness
- Communications
- Risk Profile
- Culture
- Technology
- Succession Readiness
- Practices, Procedures, Processes and Internal Control Environment

The Maintenance Organization Assessment evaluated the results of the Maintenance Excellence program that had been implemented and refined at CAP since 2003, benchmarked CAP's Maintenance practices against 42 national and international water utilities and identified areas for improvement.

As these two studies were conducted, the 2010 Board Plan was simultaneously reviewed, evaluated and expanded through a number of management meetings, focus groups and employee workshops.

The work of the two studies and the internal expansion of the 2010 Board Strategic Plan were closely coordinated. Results and recommendations arising out of each effort were cross-validated and refined. Newly identified recommendations were folded into the Strategic Framework of the 2010 Board Strategic Plan as additional strategic objectives and action plans.

The result, the 2011 Integrated Strategic Plan, combines the strategic vision and guidance provided by the Strategic Framework and the Board's externally-focused action plans with the internally-focused action plans identified by the staff as indispensable in carrying out the strategic vision of the Board.

The 2011 Integrated Strategic Plan originally contained over 200 individual action plans, double the number in the 2010 Board Strategic Plan. The consolidation of external and internal action plans into the Strategic Framework has allowed a more thorough infusion of the Strategic Plan goals and objectives throughout CAP than has been accomplished in the past. Ultimately, every planning effort in CAP, from the 2014 / 2015 Budget to individual employee performance plans, has a clearly-delineated basis in the Strategic Plan.

In 2012 a Strategic Planning Oversight Committee (SPOC) was formed to track and manage the Integrated Strategic Plan. The committee completed an enterprise risk assessment in order to help evaluate and prioritize Strategic Plan initiatives. Action plan status was reviewed and updated several times throughout the year and status reported to senior management, employees and the Board. As discrete items were completed, they were removed from the Strategic Plan. Strategic Issues without discrete action plans, but with ongoing strategic importance that influence CAP activities and initiatives were moved into a special document entitled "Guiding Principles." Target time frames for the expected completion of specific action plans were updated regularly and a number of initiatives have been designated "Ongoing." A small number of initiatives identified in the Strategic Plan that are no longer considered germane have been placed in a "Parking Lot" for re-evaluation when the plan is next updated.

In the September 2013 report to the Board, the progress statistics for the 2011 Integrated Strategic Plan were as follows:

Completed Items	14%
Active (Ongoing or In-Progress Initiatives)	64%
Guiding Principles	19%
Parking Lot	2%

A tabular presentation of the 2011 Integrated Strategic Plan begins on the following page.

STRATEGIC PLAN - ACTIVE INITIATIVES

KEY RESULT AREA	STRATEGIC ISSUE	STRATEGIC OBJECTIVE	ACTION PLANS
L E A D E R S H I P & P U B L I C T R U S T	Image: Education/ Knowledge and Visibility of CAP	Educate about CAP and improve understanding of water and power issues and canal safety	Increase Board and stakeholder interaction by further developing and identifying public speaking opportunities and public presentations.
			Further develop amount and type of content presented electronically to internal and external entities.
			Find opportunities for CAP to host or sponsor conferences where our messages are the primary ones.
	Future Water Leadership	Educate future water leaders	Identify and develop opportunities for involvement in leadership organizations.
			Coordinate workshops on federal and state legislative processes and activities regarding water quality, power generation and similar areas of interest to CAP and stakeholders.
		Position CAP as a recognized leader in water and energy management	Actively engage at national, state and regional levels to promote the interests of CAP and its constituents.
	Relationships: Customers and other Stakeholders	Improve relationships with customers	Cooperatively identify goals and logistics for public processes involving Board, staff, customers and stakeholders.
			More fully integrate awareness of water quality and its importance to our customers into how CAP operates and maintains the system and communicates to customers and stakeholders.
			Establish more effective working relationships with Native American tribes and agricultural customers (including irrigation districts).
			Establish more effective working relationships with water interests outside the three-county service area.
			Provide more detailed information on website regarding activities of the District, issues of interest, priorities and responsibilities of the Board, including specific contact information, in a manner that is informative to the public.

STRATEGIC PLAN - ACTIVE INITIATIVES

KEY RESULT AREA	STRATEGIC ISSUE	STRATEGIC OBJECTIVE	ACTION PLANS
LEADERSHIP & PUBLIC TRUST	Relationships: Customers and other Stakeholders	Encourage community involvement	Encourage increased leadership, outreach and public involvement of CAP within the greater community and support CAP employees' volunteer activities.
			Be recognized as an industry leader by participating in professional and business organizations, including membership, participation on technical committees, and presentation and publication of papers.
			Participate more fully as a community partner, particularly where CAP facilities are located in an increasingly urban environment. Educate the public about dangers of the canal (work with schools, neighborhoods), be open to opportunities regarding uses of CAP.
			Promote CAP's involvement in statewide trails development and management, and work with outside entities to provide access to CAP trail.
	CAWCD Board Leadership	Define how Board members effectively represent CAP and its positions	Enhance the Board's understanding of the legal, regulatory and historical heritage of CAWCD (e.g., enabling authorities, relationships with the State of Arizona and the United States, and position of leadership in state and federal water and power policy development).
			Produce issue/action sheets on significant issues addressed by Board.
	Internal Leadership	Build a strong CAP work community	Increase presence and involvement of senior management throughout the organization.
			Communicate the intent and purpose of strategic initiatives, policies and business decisions so that they are understood and supported throughout the organization.
			Prioritize and link business group activities to the Internal Strategic Plan, including level of effort and budget requirements. Incorporate business plans into the biennial budget.
			Build relationships among employees and work groups by increasing internal communication, aligning employees with CAP's business initiatives, and focusing on teamwork across departments.
			Develop and communicate common, organization-wide performance goals for management and employees annually (e.g., safety goal, financial goal).
	Create an open channel or mechanism for all staff to propose ideas for consideration by senior management and to expand on opportunities for staff to report outstanding achievements.		

STRATEGIC PLAN - ACTIVE INITIATIVES

KEY RESULT AREA	STRATEGIC ISSUE	STRATEGIC OBJECTIVE	ACTION PLANS
F I N A N C E	Maintaining CAP's Financial Health	Maintain coordinated financial strategies (budget, reporting, revenues, expenditures, rates, taxes, reserves)	Strengthen linkages among the various financial planning processes. Illustrate and explain how individual financial decisions interrelate.
			Improve communication between the cost centers and the finance group during budget development, quarterly financial review, financial re-forecasting and budgetary decision-making.
			Develop an asset management cost structure to easily measure and control activity-based costs, including tracking costs relative to individual assets or activities.
			Investigate the feasibility of a data warehouse to pull information from among many different sources and be saved in many different formats.
	Financing Major Expenditures	Coordinate projected uses of funds with appropriate sources of financing	Evaluate financing mechanisms appropriate for CAP to meet future funding needs, including pay-as-you-go (rates and taxes), reserves and bonding.
			Evaluate how costs of major expenditures can be properly allocated to the beneficiaries of those expenditures under appropriate contracts and policies.
	Managing Assets	Optimize use of CAP assets to meet customer needs and generate opportunities to enhance revenues	Review CAP assets and identify opportunities for income generation, increased utilization, disposal and/or reduction of liability.

STRATEGIC PLAN - ACTIVE INITIATIVES

KEY RESULT AREA	STRATEGIC ISSUE	STRATEGIC OBJECTIVE	ACTION PLANS
P R O J E C T R E L I A B I L I T Y	Managing our Workforce	Maintain a safe, healthy and secure working environment	Successfully complete all requirements necessary for CAP to continue as a Voluntary Protection Program (VPP) Star site.
			Develop accountability system for activities and responsibilities to be applied to all levels of the organization within the VPP. Hold employees accountable for meeting all safety requirements.
			Reduce/eliminate workplace injuries from an organizational and cultural perspective, in addition to metrics. Emphasize all aspects of safety (emotional, cognitive and physical).
			Promote healthy habits in the workforce. Enhance CAP's wellness program to focus on multiple health-related factors.
		Maintain high levels of skills and job proficiency among employees	Conduct formal review of departmental staffing levels periodically on the basis of workload and work flow analyses or other methods to determine if levels are consistent with workloads.
			Consider modifications to the current organizational structure to improve communication and discourage creation of silos (e.g., matrix management).
			Develop a professional development program for administrative professionals similar to the apprenticeship program.
			Develop an organization-wide job framework focusing on job levels and descriptions, career paths, requirements for future roles, training and compensation.
			Improve and manage the pay for performance system (e.g., enhance CAP's employee performance appraisal methodology).
			Investigate incentives that promote employee job improvement and success.
			Improve awareness of and enforcement of CAP's policies, practices and procedures.
			Maintain an effective Apprenticeship Program that keeps pace with technology and balances available work hours, use of apprentices and skilled external hires. Include program evaluation by participants.
			Increase employee and management self-service within five years. Implement new employee performance management system, improve recruitment capabilities and improve benefits administration.

STRATEGIC PLAN - ACTIVE INITIATIVES

KEY RESULT AREA	STRATEGIC ISSUE	STRATEGIC OBJECTIVE	ACTION PLANS
PROJECT RELIABILITY	Managing our Workforce	Maintain high levels of skills and job proficiency among employees	Conduct a system-wide, spatial needs analysis for all functions (workspace needs, storage and meeting space) and develop an implementation plan to optimize work flow and functional efficiencies throughout CAP.
			Take advantage of technological advances to expand workforce knowledge and skills and increase productivity. Provide the necessary technology training.
			Provide a mechanism for internal transference of information gained from training.
			Develop a training program for staff who routinely interact with the public.
		Establish CAP as the regional "Employer of Choice"	Develop career ladders to allow the growth and development of CAP employees and to protect the organization from loss of expertise as the workforce retires.
		Recruitment and Succession Planning	Replace employees retiring with new qualified personnel that have the experience commensurate with the uniqueness of the CAP organization and operation.
			Manage the timing of retirees leaving CAP (e.g., consider developing retirement tools that comply with ASRS rules and CAP policies).
			Explore partnerships with higher education communities to assist in development of future water professionals, and develop internship programs through educational institutions to provide a source of new employees.
			Expand the Succession Planning Program beyond the current position-specific focus to identify high-potential candidates that might benefit the organization in a number of roles.
		Training	Implement a program to capture and convey institutional knowledge to incoming workforce. Include knowledge-based IT systems (e.g., online O&M systems, internal wiki).
			Develop a robust supervisory/management training program that includes communication, leadership, personnel management, etc. Utilize cross-training to develop a multi-skilled workforce. Tools include job shadowing, mentoring, cross-training between positions that contain overlapping or complementary skills and cross-training for career development and business continuity purposes.

STRATEGIC PLAN - ACTIVE INITIATIVES

KEY RESULT AREA	STRATEGIC ISSUE	STRATEGIC OBJECTIVE	ACTION PLANS
PROJECT RELIABILITY	Effectively Manage, Operate and Maintain CAP Assets	Provide reliable and cost-effective water deliveries	Protect the canal system from encroachment, trespassing, spread of crime, illegal dumping, use of illegal substances, etc., as the Phoenix, Tucson and Casa Grande metropolitan areas grow.
			Ensure the integrity of the canal system through analysis and mitigation of subsidence and surface drainage issues.
			Complete implementation of an automated data collection system to retrieve information from the Programmable Logic Controllers (PLCs) and run a reliability-centered maintenance program.
			Maintain high levels of operational reliability by scheduling maintenance outages and eliminating unplanned outages. Provide a mechanism for discussion between Operations and Maintenance to align varying priorities, resolve conflicting situations (e.g., outage requests, maintenance needs and system operational constraints) and ensure adherence to existing processes.
		Expand Maintenance Excellence to Enterprise Asset Management	Assess CAP's maintenance practices against established internal processes utilizing proactive asset management protocols.
			Review internal processes to ensure they adequately address equipment and procurement lead times.
			Implement cradle-to-grave asset management and asset sustainability programs (e.g., expand application of reliability-centered maintenance concepts, enhance effective communications between employees and management on proactive equipment replacement and repair, and improve understanding of the centralized approach to maintenance).
			Expand predictive maintenance in order to determine when equipment is in decline, by increasing condition-based monitoring instrumentation at CAP facilities (e.g., temperature, vibration at pumping plants). Develop methods for tracking, sharing and evaluating resulting information.

STRATEGIC PLAN - ACTIVE INITIATIVES

KEY RESULT AREA	STRATEGIC ISSUE	STRATEGIC OBJECTIVE	ACTION PLANS
<p style="text-align: center;">P R O J E C T</p> <p style="text-align: center;">R E L I A B I L I T Y</p>	<p style="text-align: center;">Effectively Manage, Operate and Maintain CAP Assets</p>	<p style="text-align: center;">Expand Maintenance Excellence to Enterprise Asset Management</p>	<p>Reinstate key predictive maintenance techniques to enhance major assets condition evaluation on critical assets.</p>
			<p>Establish a cross-organizational review team to formally review all Maintenance and Engineering work flow processes on a periodic basis and update them to ensure optimum efficiency, accuracy and reliability.</p>
			<p>Develop a feedback loop for changes in preventive maintenance procedures (work order process). Ensure the preventive maintenance work order process evaluates each facility and ensures performance of appropriate preventive and predictive procedures.</p>
			<p>Address aging and obsolete CAP equipment issues and develop an action plan to determine asset replacement alternatives and address potential asset failures.</p>
			<p>Increase standardization of equipment, methods and documentation internally and with outside parties that takes into account differences between sites.</p>
			<p>Provide timely processes across the organization to enable cost-effective equipment replacement and repair (e.g., engineering , purchasing, input from water quality, operations, etc.).</p>
			<p>Re-evaluate materials handling processes including kitting and stock levels in order to identify potential gaps.</p>
		<p style="text-align: center;">Enhance effective project management</p>	<p>Hold partnering session with CAP staff, consultants and/or contractors at the beginning of each internal and external project and develop partnering agreement that sets ground rules, defines communication, etc., to enhance teamwork and reduce costs.</p>
		<p style="text-align: center;">Improve technology management</p>	<p>Maintain standards and more rigorous oversight of outside contractors' work products and a more robust program to ensure adherence to CAP policies and procedures.</p> <p>Develop an IT strategic plan, governance framework and enterprise architecture to align IT strategies with business and operational strategies.</p>

STRATEGIC PLAN - ACTIVE INITIATIVES

KEY RESULT AREA	STRATEGIC ISSUE	STRATEGIC OBJECTIVE	ACTION PLANS
PROJECT RELIABILITY	Effectively Manage, Operate and Maintain CAP Assets	Improve technology management	<p>Improve data management and processing throughout CAP to maximize collaboration across the organization. Enhance information sharing by eliminating database silos (e.g., link operational and maintenance databases, SCADA data and Livelink/Infor).</p>
			<p>Implement web services to securely share information with the outside world including consultants and other utilities.</p>
			<p>Review Geographic Information System (GIS) program: link 3-D modeling and GIS functions, streamline sharing of GIS data with internal and external customers, clarify relationship between the IT GIS program and Project Management's GIS functions.</p>
			<p>Automate manual and paperless processes and link enabling systems to increase work flow efficiency (e.g., merge multiple systems to improve efficiency, decrease risk of process breakdowns and allow for easier reconciliation of information; eliminate redundant data entry).</p>
			<p>Proactively manage use of social networking and other developing communication tools with respect to access, use, content, records management, security of information, legality and general oversight.</p>
			<p>Expand the mobile asset management system (e.g., preventive maintenance processes through the use of wireless handheld devices).</p>
		Promote environmental sustainability	<p>Improve effectiveness and functionality of INFOR (EAM) for planning of maintenance activities.</p>
			<p>Implement an Environmental Management System (EMS) that considers social, environmental and financial factors, and includes training, auditing and outreach components.</p>
			<p>Enhance CAP's environmental compliance program in all areas of environmental performance to achieve a high level of compliance and excellence (e.g., incorporate responsibility for compliance with environmental goals and requirements in performance planning, including managers and supervisors).</p>
			<p>Commit to continued environmental improvement in waste management, reduction and disposal; increased recycling; acquisition of environmentally friendly vehicles; increasing facilities' energy efficiencies; increasing paperless office methods; etc.</p>
<p>Complete an energy audit of CAP facilities and develop a sustainability-based, energy reduction and conservation program through prudent management of all CAP facilities.</p>			

STRATEGIC PLAN - ACTIVE INITIATIVES

KEY RESULT AREA	STRATEGIC ISSUE	STRATEGIC OBJECTIVE	ACTION PLANS
PROJECT RELIABILITY	Maintain Business Continuity	Establish an Enterprise Risk Management Program (ERMP)	Create a decision-making framework that evaluates and mitigates risks of varying levels and types (e.g., business, technology, financial, workforce, property/infrastructure, operations, etc.).
		Prepare for business disasters and threats	Update and improve Business Disaster Recovery (BDR) Plan, focusing on Continuity of Operations Planning and using the new Business Impact Analysis (BIA) guidelines. Expand BDR planning to the field offices.
			Prepare for potential pandemics or other events severely limiting workforce availability.
			Protect and secure CAP's IT assets and information. Protect sensitive business information, vital records and preserve historical information.
Prepare and plan for potential threats to CAP water operations.			

STRATEGIC PLAN - ACTIVE INITIATIVES

KEY RESULT AREA	STRATEGIC ISSUE	STRATEGIC OBJECTIVE	ACTION PLANS
W A T E R S U P P L Y	Reliability of the CAP Water Supply	Manage Colorado River to optimize CAP water availability	Support studies and pilot programs to advance the long-term operation of the Yuma Desalting Plant (YDP). Develop and implement strategies for maximizing CAP's use of surplus Colorado River water and unused Arizona entitlement.
		Augment Colorado River water supply	Support new and updated augmentation studies and pilot programs (e.g., Basin States Augmentation Program, ocean desalination, weather modification, watershed management, phreatophyte removal).
		Manage risk posed by climate change	Identify potential impacts of climate change on CAP supplies and develop adaptation strategies.
			Position CAP as a leader on climate change adaptation by working with organizations such as Water Utility Climate Alliance (WUCA) and other water utilities at the forefront of managing climate change impacts.
		Coordinate efforts to sustain CAP's ability to deliver all available Colorado River water	Develop, implement and maintain an integrated resource plan (IRP) to include water resources, policies, regulation, etc. Coordinate with the power IRP.
		Complete and implement Recovery Plan	Integrate recharge and recovery activities more fully into management and operation of the CAP system.
			Develop a long-term strategic plan for recharge activities to maximize delivery of water supplies to customers.
			Complete recovery plan in a timely fashion in cooperation with stakeholders to improve connection between AWBA storage and CAP recovery. Partner with the AWBA and others to develop recovery strategies that take into account areas of groundwater overdraft.
			Develop and adopt policy regarding portion of M&I subcontract entitlements to be protected during shortage.
			Develop cooperative agreements to implement recovery where appropriate.
Permit and construct facilities needed to implement recovery. Recognize the changing role CAP will play in terms of recovery planning such as the need to manage, operate and maintain well fields and associated infrastructure.			
Enhance internal coordination in development of the recovery plan and implementation schedules (e.g., Engineering and Planning).			

STRATEGIC PLAN - ACTIVE INITIATIVES

KEY RESULT AREA	STRATEGIC ISSUE	STRATEGIC OBJECTIVE	ACTION PLANS
<p style="text-align: center;">W A T E R S U P P L Y</p>	<p style="text-align: center;">New Water Supplies for the CAP Service Area</p>	<p style="text-align: center;">Identify and acquire new water supplies without harming existing CAP contractors</p>	<p>Identify water supplies to be acquired and begin making acquisitions. Enhance cross-departmental involvement in water supply acquisition activities.</p>
			<p>Analyze availability and viability of reclaimed water as a component of new supplies to be acquired by CAP.</p>
			<p>Explore demand management as a component of water supply planning.</p>
			<p>Explore possibilities for public/private partnerships.</p>
		<p style="text-align: center;">Prepare for CAP non-Indian agriculture (NIA) reallocation</p>	<p>Ensure coordination of appropriate departments (e.g., Engineering) during the new water supply planning and acquisition phase.</p> <p>Work with ADWR and stakeholders to develop an appropriate strategy for reallocation of CAP NIA water.</p>

STRATEGIC PLAN - ACTIVE INITIATIVES

KEY RESULT AREA	STRATEGIC ISSUE	STRATEGIC OBJECTIVE	ACTION PLANS
P O W E R	Generation Resources	Maintain existing generation resources until appropriate alternatives are available	Effectively administer the current power portfolio while planning for the future.
			Actively manage and respond to legislative, legal and regulatory issues impacting NGS.
			Engage Indian tribes and other stakeholders in discussions regarding potential economic impacts resulting from NGS rulemaking and potential federal legislation.
			Support renewal of agreements necessary to maintain continued operation of NGS.
			Actively influence Arizona Power Authority reallocation process regarding Hoover Power.
		Develop new, reliable, sustainable, cost-effective generation resources	Develop a long-term energy strategy and integrated resource plan that includes a diversified and sustainable supply portfolio. Coordinate with the water IRP.
			Prepare for eventual replacement of NGS.
			Investigate feasibility of distributed generation.
	Explore possible partnerships with municipalities, utilities, merchants and public or private parties to develop new generation resources.		
	Transmission Resources	Effectively manage costs	Pursue partnership arrangements for maintaining CAP transmission assets to reduce CAP water delivery costs.
			Pursue transmission interconnection agreements that will reduce net CAP energy costs.
		Enhance transmission reliability	Participate in projects to create CAP transmission redundancy where feasible and appropriate.
Pursue strategic partnerships to enhance CAP transmission reliability and improve access to alternative generation resources.			

STRATEGIC PLAN - ACTIVE INITIATIVES

KEY RESULT AREA	STRATEGIC ISSUE	STRATEGIC OBJECTIVE	ACTION PLANS
R E P L E N I S H M E N T	Water Supply	Obtain sufficient water supplies to meet long-term replenishment obligation	Re-evaluate water supply acquisition program in Plan of Operation (e.g., timing, types of supply and projected costs).
			Aggressively acquire water supplies as outlined in Plan of Operation.
			Develop and implement revenue generation mechanisms (e.g., bonding, rates, fees) that are sufficient to carry out water supply acquisition plan.
			Continue to work with State Land Department on the transfer of 2,906 A/F of its M&I subcontract water to CAGR D.
			Continue to collaborate with stakeholders to evaluate conservation measures that could reduce CAGR D's replenishment obligation.
	Long-term Role of the CAGR D	Create a new vision for CAGR D	Create a new plan of operation for approval by 2015.
		Identify and implement appropriate conditions of membership	Define need for any new legislation.
			Evaluate requirement that prospective CAGR D members commit effluent to reduce CAGR D's replenishment obligation.
	Hydrologic Relationship between Member Pumping and CAGR D Replenishment	Identify CAGR D roles, responsibilities, and capabilities	Encourage ADWR's efforts to investigate areas where excessive groundwater declines are possible.
			Investigate feasibility of developing new recharge projects in identified area of excessive groundwater declines.
			To extent feasible, replenish in areas of hydrologic impact of groundwater withdrawals by CAGR D members.
			Investigate possibility of direct delivery to CAGR D members with water treatment capability.
	CAGR D Management and Oversight	Maintain CAGR D's financial health	Manage implementation of CAGR D revenue bonding authority, implement appropriate rates and fees necessary to finance CAGR D operations and major expenditures and manage CAGR D's assets.
		Improve coordination between ADWR and CAGR D	Establish communication protocols regarding application review and issuance of designations of assured water supply (including modifications) that rely on CAGR D replenishment.



STRATEGIC PLAN - GUIDING PRINCIPLES

KEY RESULT AREA	STRATEGIC ISSUE	STRATEGIC OBJECTIVE	ACTION PLANS
LEADERSHIP & PUBLIC TRUST	Image: Education/ Knowledge and Visibility of CAP	Educate about CAP and improve understanding of water and power issues and canal safety	Collaborate with government entities and stakeholders.
	Future Water Leadership	Position CAP as a recognized leader in water and energy management	Actively engage at national, state and regional levels to promote the interests of CAP and its constituents.
	Relationships: Customers and other Stakeholders	Improve relationships with customers	Cooperatively identify goals and logistics for public processes involving Board, staff, customers and stakeholders.
		Improve relationships with other stakeholders	Continue to educate, inform, participate, engage and respect broad range of stakeholders including CAP employees.
			Continue to enhance transparency and efficiency of CAP business processes (e.g., procurement of goods and services, internal audit program, CAP land use permits).
CAWCD Board Leadership	Define how Board members effectively represent CAP and its positions	Enhance the understanding of CAP's mission and vision to address questions related to CAP's role in service area, statewide and regional water and power issues.	

STRATEGIC PLAN - GUIDING PRINCIPLES

KEY RESULT AREA	STRATEGIC ISSUE	STRATEGIC OBJECTIVE	ACTION PLANS
F I N A N C E	Maintaining CAP's Financial Health	Effectively communicate financial issues to Board and stakeholders	Continuously evaluate and resolve financial threats.
			Utilize the quarterly financial review process to routinely identify changes in business conditions and the appropriate responses necessary to maintain expected financial outcomes (e.g., budget performance and rates), and demonstrate prudent management of CAP resources.
		Maintain coordinated financial strategies (budget, reporting, revenues, expenditures, rates, taxes, reserves)	Develop and maintain an appropriate reserve strategy.
	Financing Major Expenditures	Establish a flexible financing strategy	Coordinate financing strategy with reserve strategy.
		Coordinate projected uses of funds with appropriate sources of financing	Identify resources required and financing sources prior to approval of major initiatives; develop business plans with appropriate exit strategies.
	Managing Assets	Optimize use of CAP assets to meet customer needs and generate opportunities to enhance revenues	Maintain a long-term capital improvement plan consistent with ensuring system reliability, including major equipment replacement and rehabilitation.

STRATEGIC PLAN - GUIDING PRINCIPLES

KEY RESULT AREA	STRATEGIC ISSUE	STRATEGIC OBJECTIVE	ACTION PLANS
P R O J E C T R E L I A B I L I T Y	Managing our Workforce	Establish CAP as the regional "Employer of Choice"	Maintain a competitive pay and benefits package.
			Manage employee turnover.
			Implement programs that promote diversity in the workplace including building a workforce that reflects the communities that CAP serves.
		Maintain high levels of skills and job proficiency among employees	Provide training on operations and maintenance of new equipment.
		Provide reliable and cost-effective water deliveries	Consistently deliver CAP's full annual Colorado River apportionment.
			Maintain ERP systems including Infor, Oracle, Livelink and GIS systems, keeping up-to-date with current upgrades and patches.
	Effectively Manage, Operate and Maintain CAP Assets	Expand Maintenance Excellence to Enterprise Asset Management	Increase two-way communication among managers, supervisors, maintenance engineers and crews to provide meaningful information to staff (e.g., key reports, necessity of work assignments, need for asset modifications).
		Enhance effective project management	Coordinate closely with Maintenance regarding project development, completion and transfer of information (e.g., technical manuals, Standard Operating Procedures) for maintenance purposes.
		Improve technology management	Remain abreast of technological developments to meet emerging needs of existing and incoming workforce (e.g., through training; internship programs with educational institutions; networking with private industry; etc.)
			Systematically review existing technologies in terms of available improvements in functionality and alternative implementations that may result in synergies among programs.
			Balance perceived advantages of technology with appropriate assumption of risk (e.g., user access needs vs security requirements).
		Promote environmental sustainability	Recognize the increasing biological issues impacting the CAP canal system (e.g., caddis flies, quagga mussels, weeds, fish, etc.)

STRATEGIC PLAN - GUIDING PRINCIPLES

KEY RESULT AREA	STRATEGIC ISSUE	STRATEGIC OBJECTIVE	ACTION PLANS
W A T E R S U P P L Y	Reliability of the CAP Water Supply	Manage Colorado River to optimize CAP water availability	Actively work with other Basin states in order to influence Colorado River management decisions.
		Actively participate in decision making regarding bi-national programs (e.g., Mexico shortage-sharing, ICMA). Maintain cooperative relationships with Mexico regarding Colorado River supplies and water quality issues.	
		Protect CAP's Colorado River water entitlement	Continue to look for opportunities to mitigate or change CAP's junior priority through congressional action and/or agreements with other Basin states.
		Aggressively oppose and resolve threats to Arizona's Colorado River entitlement.	
		Support full funding of the Multi-Species Conservation Program (MSCP).	
		Coordinate efforts to sustain CAP's ability to deliver all available Colorado River water	Maximize utility of the CAP system, including delivery capacity, cost-effectiveness, operational flexibility, etc.
Evaluate options to manage the Mark Wilmer/Bill Williams River interface, silt removal within the canal and pumping plant forebays, algae removal, etc., to maintain operational capacity and reduce water quality problems.			

STRATEGIC PLAN - GUIDING PRINCIPLES

KEY RESULT AREA	STRATEGIC ISSUE	STRATEGIC OBJECTIVE	ACTION PLANS
P O W E R	Generation Resources	Effectively manage costs	Continue to participate in NGS O&M Committee, including audits.
			Continue use of Energy Risk Oversight Committee to make decisions on energy purchases, sales and hedging strategies.
			Anticipate and respond to regulatory requirements of CAP's expanding involvement in power, purchasing and marketing (e.g., internal compliance with National Bulk Power Reliability standards).
		Maintain existing generation resources until appropriate alternatives are available	Effectively administer the current power portfolio while planning for the future.
		Effectively manage costs	Anticipate and respond to regulatory requirements of CAP's expanding involvement in transmission management (e.g., Federal Energy Regulatory Commission (FERC)/Western Area Power Administration (WAPA) regulations).
Enhance transmission reliability	Continue to participate in regional transmission planning and influence line siting to benefit CAP.		
	Provide effective maintenance and replacement planning of transmission infrastructure to ensure continued system reliability.		
R E P L E N I S H M E N T	CAGR Management and Oversight	Review CAGR status as compared to projections in the Plan of Operation often enough to provide comfort to the Board, staff, stakeholders and legislators	<p>Perform and document a formal review of CAGR at least every 5 years.</p> <p>Prepare annual report showing membership and corresponding projections of obligations and include it as part of annual report filed with ADWR.</p>



STRATEGIC PLAN - COMPLETED ITEMS

KEY RESULT AREA	STRATEGIC ISSUE	STRATEGIC OBJECTIVE	ACTION PLANS
L E A D E R S H I P & T	Image: Education/ Knowledge and Visibility of CAP	Educate about CAP and improve understanding of water and power issues and canal safety	Develop and distribute canal safety educational curriculum for K-12 and include segment on same in H204U student education materials.
		Increase Board members' understanding of the electric power environment, operation and policies	Continue to provide training for Board members and customers in electric power economics.
			Continue to provide power primer for orientation of new Board members and as a reference.
	CAWCD Board Leadership	Define how Board members effectively represent CAP and its positions	Publish organizational chart on CAP website.
			Adopt Board operations manual.
	F I N A N C E	Maintaining CAP's Financial Health	Maintain coordinated financial strategies (budget, reporting, revenues, expenditures, rates, taxes, reserves)
Maintain a rate-setting methodology that accurately reflects cost of service and provides for transparency and predictability			Develop a strategy to maintain stable and predictable rates, including establishment of appropriate reserves and a rate-setting methodology and rate stabilization mechanism to be used during a shortage.
Managing Assets		Optimize use of CAP assets to meet customer needs and generate opportunities to enhance revenues	Evaluate appropriate pass-through mechanisms for unpredictable costs, including rate reconciliation and rate stabilization.
			Develop and implement post-2011 strategies for use of power generation and transmission assets.
			Implement the Enterprise Financial Planning (EFP) system within two years.
			Identify the next Enterprise Resource Planning (ERP) system within two years.

STRATEGIC PLAN - COMPLETED ITEMS

KEY RESULT AREA	STRATEGIC ISSUE	STRATEGIC OBJECTIVE	ACTION PLANS
P R O J E C T R E L I A B I L I T Y	Managing our Workforce	Maintain a safe, healthy and secure working environment	Successfully complete all requirements necessary for CAP to continue as a Voluntary Protection Program (VPP) Star site.
		Maintain high levels of skills and job proficiency among employees	Conduct salary surveys that compare CAP to similar organizations and that reflect the breadth and range of skill sets within CAP positions. Incorporate the need to maintain internal equity when evaluating survey results.
			Consider multi-skilled positions where appropriate. Ensure that multi-skilled workers possess the highest levels of skills when handling multiple functions, particularly with respect to safety measures.
		Training	Develop system to ensure maintenance of and access to training records, including safety training.
	Provide more interface and cross-training between engineering inspectors and maintenance engineers to enhance communication, consistency, quality control and safety.		
	Effectively Manage, Operate and Maintain CAP Assets	Provide reliable and cost-effective water deliveries	Replace aging SCADA system with a new system, integrating with other systems to enhance the flow of information.
		Expand Maintenance Excellence to Enterprise Asset Management	Investigate and participate in external benchmarking with similar utilities.
			Investigate external reviews and assessments of CAP maintenance practices.
			Develop an exercise program for equipment not often utilized due to water demand conditions.
	Enhance effective project management	Improve project development and management by involving all necessary departments upfront (e.g., Engineering Services, Purchasing, Maintenance, Finance) to define project needs, requirements, costs, procurement plan and timeline.	
	Maintain Business Continuity	Prepare for business disasters and threats	Establish mutual aid partnerships with other regional utilities.
			Evaluate need for additional resources to protect existing and new water and power supply assets, such as new transmission lines, on a 24/7 basis.

STRATEGIC PLAN - COMPLETED ITEMS

KEY RESULT AREA	STRATEGIC ISSUE	STRATEGIC OBJECTIVE	ACTION PLANS
WATER SUPPLY	Reliability of the CAP Water Supply	Coordinate efforts to sustain CAP's ability to deliver all available Colorado River water	Achieve closure on the issue of Tucson reliability.
POWER	Generation Resources	Effectively manage costs	Migrate to the post-2011 power regime. Modify procedures as necessary to shape the use of NGS energy reserved for project pumping and displace the point of delivery to reduce CAP energy costs.
		Maintain existing generation resources until appropriate alternatives are available	Work with stakeholders to pursue passage of post-2017 Hoover power legislation.
	Generation Resources	Develop new, reliable, sustainable, cost-effective generation resources	Identify and evaluate short-term/back-up generation resources.
			Evaluate alternative generation resources including renewables.
	Transmission Resources	Effectively manage costs	Continue to evaluate securing control over non-integrated CAP transmission assets.



STRATEGIC PLAN PERFORMANCE MEASURES

“BIG 5”

ORGANIZATION-WIDE GOALS

One of the Action Plans in the 2011 Integrated Strategic Plan is to "develop and communicate common, organization-wide performance goals for management and employees annually." It was originally anticipated that this initiative might result in the next generation of the Balanced Scorecard.

However, as the Strategic Plan itself began to be used to track and manage strategic initiatives under the governance of the SPOC, and detailed performance measures were being effectively managed at the department/unit level, CAP senior management sought to identify a short list of unifying essential metrics, fundamental to the achievement of CAP's Mission, for which the entire organization shares responsibility and can take ownership for their accomplishment.

The result of this work was the "Big 5 Organization-Wide Goals," introduced in 2012. Each of the five goals represents a different portion of the Key Result Areas. As much as possible, objectives have been chosen that can endure from year to year. In addition, for the first time, CAP was able to introduce a modest incentive compensation program connected to the "Big 5" - each employee is eligible to receive \$100 for each of the goals that is achieved each year. Detailed progress is reported quarterly in CAP publications and discussed in person by the General Manager (GM) at employee communications events dubbed "Beyond the Buzz."



A distinctive “Big 5” symbol was designed to label important communications related to the organization-wide goals. While each of the “Big 5” goals includes one or more detailed, measurable objectives, the basic premise of each goal is captured by a characteristic action verb.

For 2012, all five of the “Big 5” goals were met. Some lessons were learned and the 2013 goals were modified slightly to reflect refined targets due to 2012 performance.

The 2013 edition of the “Big 5” Organization-Wide Goals is shown below, and the midyear 2013 “Big 5” progress report is shown on the following pages.

Deliver CAP’s full annual share of Colorado River Water to the satisfaction of CAP’s customers and stakeholders	Control costs and promote rate stability	Maintain and improve CAP infrastructure through reliability-centered maintenance	Increase safety awareness, manage safety performance and promote safe, responsible behavior	Promote communication, teamwork, and collaboration across all units within CAP
<p><i>This quantity will be measured by diversions from the Colorado River in acre-feet. For 2013 our target is 1,600,000 acre-feet.</i></p>	<p><i>In order to achieve this goal, both operating and capital expenditures must be no more than 2% over or less than 5% under the Board-approved budget.</i></p>	<p><i>Achieving this goal will require a Forced Outages (FOX) ratio of 3% or less and average total backlog of 15 weeks or less.</i></p>	<p><i>To achieve this goal, CAP’s annual performance will have to be at or below the average of the prior three years for each of three metrics.</i></p> <ul style="list-style-type: none"> • OSHA recordable incidents (TCIR ratio) — current average is 2.7 • Lost time (DART ratio) — current average is 1.7 • Preventable Vehicle and Equipment Accidents (PVA) — current average is 15 	<p><i>CAP’s goal is to achieve outstanding participation (2 or more activities per participant) in the health, safety, wellness, ECO and diversity activities during CAP Safety Week.</i></p> <p>Minimum 75% Participation Stretch Goal of 90% Participation</p>



2013 DIVERSIONS

Deliver

CAP's full annual share of Colorado River Water to the satisfaction of CAP's customers and stakeholders

This quantity will be measured by diversions from the Colorado River in acre-feet. For 2013 our target is 1,600,000 acre-feet.

Monthly



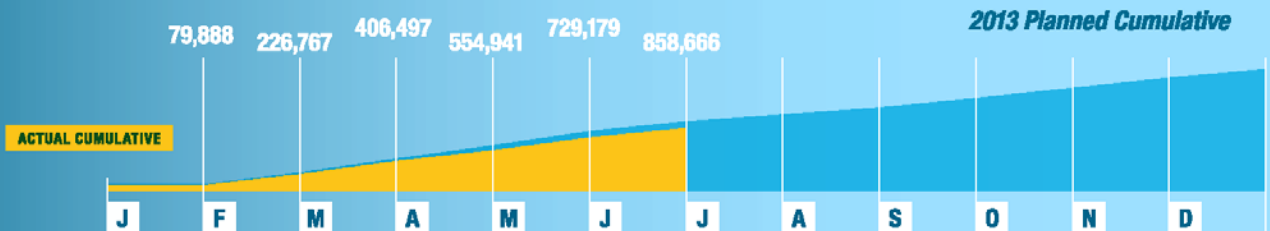
MONTH	ACTUAL	PLANNED	VAR %
Jan	79,888	86,000	92.9%
Feb	146,879	155,000	94.8%
Mar	179,730	183,000	98.2%
Apr	148,444	177,000	83.9%
May	174,238	184,000	94.7%
Jun	129,487	131,000	98.8%
Jul		91,000	
Aug		89,000	
Sep		122,000	
Oct		138,000	
Nov		135,000	
Dec		108,000	
Total	858,666	1,600,000	



Q2 Cumulative

ACTUAL	858,666
PLANNED	916,000
VAR %	93.7%

(see graph below)





2013 COST CONTROL

Control

costs and promote rate stability

In order to achieve this goal, both operating and capital expenditures must be no more than 2% over or less than 5% under the Board-approved budget.

Quarterly

QTR	ACTUAL	BUDGET	VAR %
1st	\$33,170	\$36,866	-10%
2nd	\$35,458	\$39,410	-10%
3rd		\$36,720	
4th		\$36,599	
Total	\$68,628	\$149,595	

Costs include both operating expense and capital expenditures.

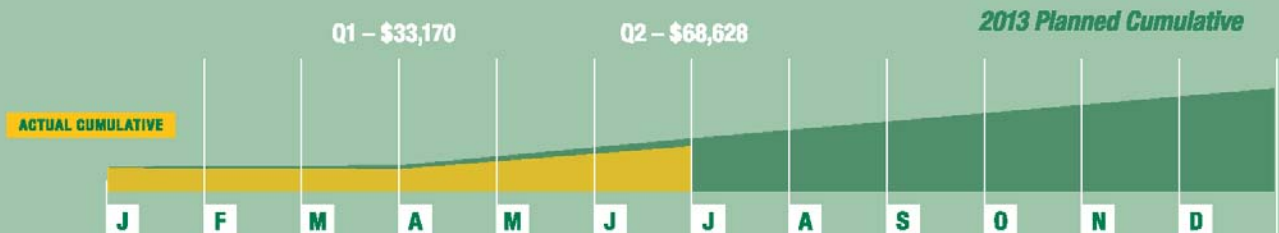
(\$ in thousands)



Q2 Cumulative

ACTUAL	\$68,628
BUDGET	\$76,276
VAR %	-10%

(see graph below)





2013 INFRASTRUCTURE

Maintain

and Improve CAP infrastructure through reliability-centered maintenance

Achieving this goal will require a Forced Outages (FOX) ratio of 3% or less and average total backlog of 15 weeks or less.

Average Total Backlog (TB) In Weeks

Quarterly

QTR	ACTUAL	PLANNED	VAR %
1st	17.3	15.0	-15.4%
2nd	14.0	16.0	12.3%
3rd		12.5	
4th		16.5	

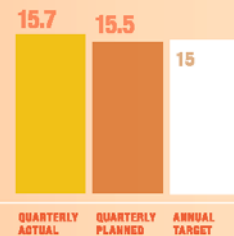
Q2 Cumulative

-1.1%
BELOW PLANNED CUMULATIVE

ACTUAL	15.7
PLANNED	15.5
VAR %	1.1%

(see graph below)

TB Cumulative



Forced Outages (FOX) Ratio

Quarterly

QTR	ACTUAL	PLANNED	VAR %
1st	1.8%	3.0%	1.2%
2nd	1.1%	3.0%	1.9%
3rd		3.0%	
4th		3.0%	

Q2 Cumulative

1.5%
BETTER THAN PLANNED CUMULATIVE

ACTUAL	1.5%
PLANNED	3.0%
VAR %	1.5%

(see graph below)

FOX Cumulative





2013 SAFETY PERFORMANCE

Increase
 safety awareness,
 manage safety
 performance
 and promote
 safe, responsible
 behavior

To achieve this goal, CAP's annual performance will have to be at or below the average of the prior three years for each of three metrics.

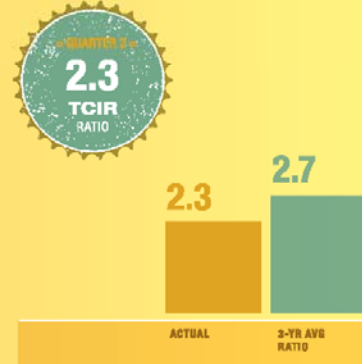
- OSHA recordable Incidents (TCIR ratio)
 — current average is 2.7
- Lost time (DART ratio)
 — current average is 1.7
- Preventable Vehicle and Equipment Accidents (PVA)
 — current average is 15

OSHA Recordable Incidents (TCIR Ratio)

Quarterly

QTR	ACTUAL	3-YR AVG
1st	2.8	2.7
2nd	1.8	2.7
3rd		2.7
4th		2.7

Q2 Cumulative



Lost Time & Restricted Days (DART Ratio)

Quarterly

QTR	ACTUAL	3-YR AVG
1st	0.0	1.7
2nd	0.0	1.7
3rd		1.7
4th		1.7

Q2 Cumulative

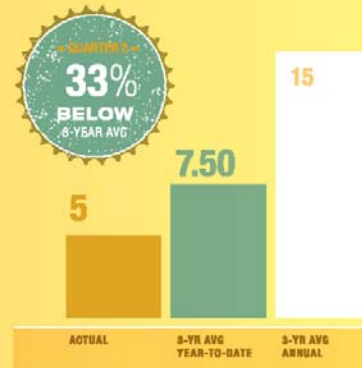


Preventable Vehicle & Equipment Accidents (PVA)

Quarterly

QTR	ACTUAL	3-YR AVG	VAR
1st	3	3.75	20%
2nd	2	3.75	47%
3rd		3.75	
4th		3.75	

Q2 Cumulative





2013 COMPANY CULTURE

Promote

communication, teamwork, and collaboration across all units within CAP

CAP's goal is to achieve outstanding participation (2 or more activities per participant) in the health, safety, wellness, ECO and diversity activities during CAP Safety Week.

Minimum 75% Participation

Stretch Goal of 90% Participation

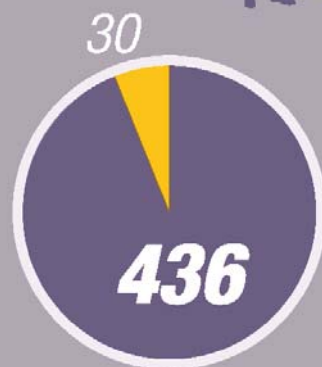
Percentage of Participation

ACTIVE EMPLOYEES:

466

TOTAL EMPLOYEES PARTICIPATING IN TWO OR MORE ACTIVITIES:

436





FINANCIAL PLANNING PROCESS

The discussion that follows provides information on how the budget is developed, managed and amended; other financial planning processes; debt authorities and obligations; and financial reserves.

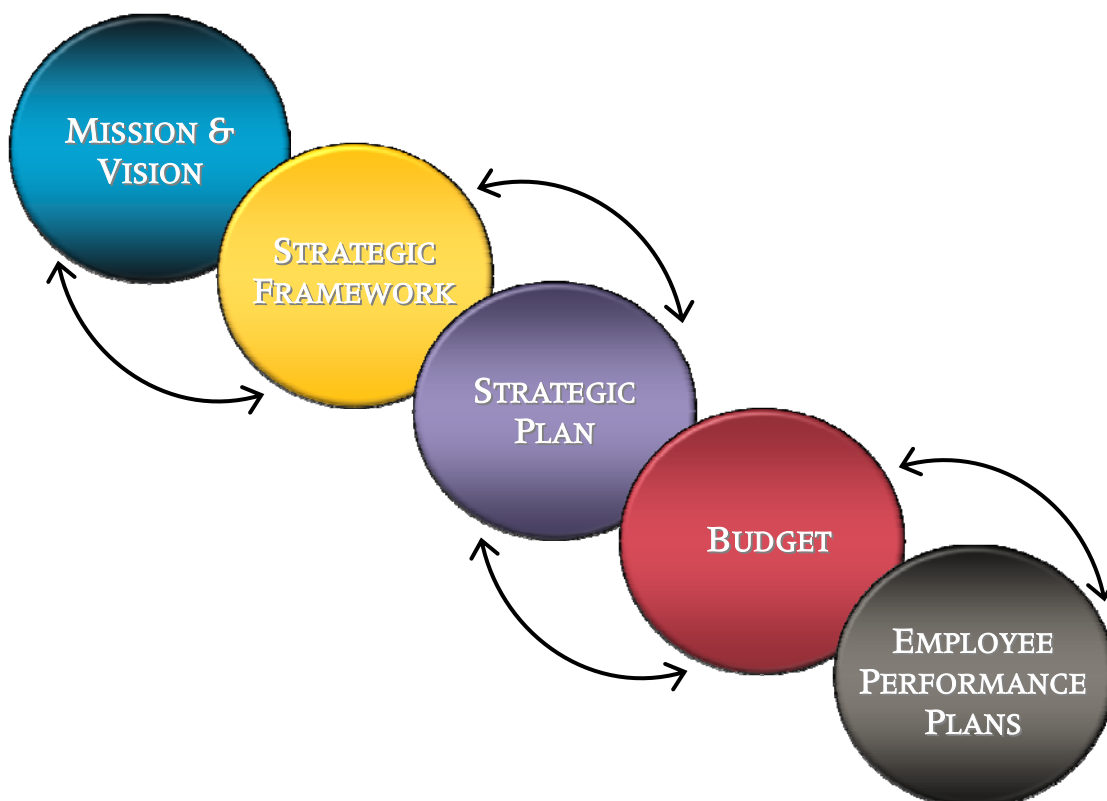
BUDGET PROCESS, PROCEDURES AND CONTROLS

The Central Arizona Project (CAP) budget is a fundamental component of CAP's comprehensive Biennial Financial Planning Process, which integrates and incorporates the financial aspects of planning that occur at every level. The Strategic Framework and Strategic Plan serve as the foundation for the development of the budget.

During the budget process, those portions of the Strategic Plan that pertain to the budget period are selected for inclusion in the business plans for each organizational unit along with critical ongoing activities. In addition to ensuring alignment with the Strategic Plan, the business plans focus on closing gaps between actual and targeted performance measures.

The budget document includes both the business plans for the budget period as well as the financial and human resources necessary to achieve the goals and objectives identified in the business plans.

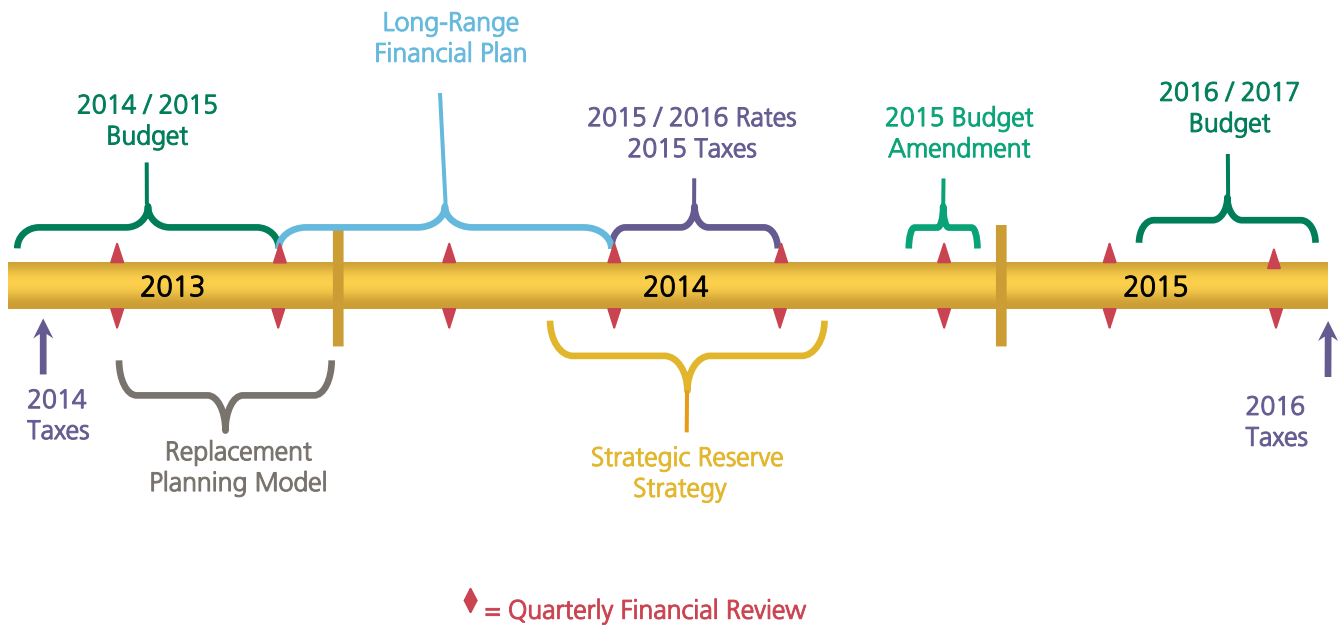
CAP uses enterprise-wide performance measurements to evaluate accomplishment of its strategic objectives.



BIENNIAL FINANCIAL PLANNING PROCESS

In 2005, CAP implemented a Biennial Financial Planning Process that included the strategic plan, the budget and business plan, long-range financial plan (LRFP), rate-setting and reserve planning. A major benefit of the biennial process is the ability to redeploy staff during the second year of the biennium to focus on more strategic areas, which allows more in-depth analysis of issues affecting CAP and their financial impacts. Budget and business planning occur in odd years for the subsequent two years and are more tactical in nature. In even years, the focus is on more strategic activities. As the focus shifts back and forth between shorter- and longer-term planning horizons, the work done in each year of the biennium complements and enhances the work in the alternate year, and each year in the process serves as the basis for the work in the following year. For more information, see Other Planning Processes on page 4-7.

The financial planning process is illustrated on the following diagram:



The 2014 / 2015 biennial budget covers two one-year periods. As the first year (2014) draws to a close, the more volatile items in the second year (2015) of the budget will be reviewed to determine if the budget should be amended to incorporate any significant impacts on revenues, expenses or capital expenditures for changes in water delivery volume, water rates, pumping power needs, the unit cost of power or other changing business needs or conditions. Please see Biennial Budget Amendment Process on page 4-6 for further information.

BUDGET BASIS & FORMAT

Both the financial statements and the budget are reported on a calendar year using the accrual basis of accounting for all funds and on a combined basis. The basis of budgeting and basis of accounting are discussed in more detail in the Policies, Guidelines and Practices beginning on page 8-13.

All financial statements contained in the budget are presented on a comparative basis, including two years of actual activity (2011 and 2012), 2013 projected activity and two years of budget activity (2014 and 2015). The Statement of Net Position Sheets summarize current and long-term obligations (liabilities) and assets available to meet those obligations. The Statements of Revenues, Expenses and Changes in Net Position (income statement) summarize operating and non-operating expenses, revenues available to cover those expenses, deferred inflows and deferred outflows as well as changes in net position.

BIENNIAL BUDGET PROCESS AND CALENDAR

The 2014 / 2015 budget process began in March 2013 with the distribution of the Strategic Plan and the associated action plans to managers and supervisors in order to provide the basis for development of their budgets and business plans.

Development of the budget is a “bottom-up” process. Each cost center (the lowest organizational level) is required to prepare a detailed budget request; the requests are consolidated to develop CAP’s budget. In addition to the two-year operating budget and business plan, cost centers develop a six-year capital budget (two budget years and four advisory years) that includes capital projects and a forecast of capital equipment needs.

Cost centers develop their operating and capital budgets simultaneously. By doing so, CAP is able to accomplish manpower planning and allocate resources to ensure the achievement of goals and objectives. In addition, to the extent the capital budget may influence the operating budget, the impact can be analyzed, quantified and incorporated into the operating budget. Business plans are developed at the department level.

As shown on the following page, there are four distinct phases that lead to development and ultimate approval of the budget. Internal review takes place from June through September and external review by our customers and the Board of Directors (Board) occurs in October and November.

Approximately every other biennial planning cycle, CAP updates its Replacement Planning Model (RPM) as a part of the LRFP activity that occurs in even years. The RPM is an econometric model that predicts asset replacement costs based on original asset costs and detailed estimates of replacement and refurbishment periods and cost escalation factors. The output of the RPM is used to validate and refine the project-based capital expenditure forecasts in the LRFP. The original RPM was created in 2001 and was updated in 2004 and 2007; it is scheduled for its next update by the end of 2013.

Following approval of the 2014 / 2015 budget, staff will begin work on the LRFP, incorporating any new strategies, objectives and trends identified during the budget process. Staff will evaluate longer-term issues and determine their impact on CAP operations and finances, including reserves and rates. This work then becomes the launching point for the subsequent budget.

FINANCIAL PLANNING CALENDAR

2014 / 2015 BUDGET CYCLE	REQUESTED BUDGET	March-June 2013	Departments Develop and Submit Strategic Plans
		May-July 2013	Cost Centers Develop Budget and Submit to Finance for Review & Consolidation
		August 14-September 10, 2013	General Manager Review & Changes CAWCD Board Officers Review
	STAFF PROPOSED BUDGET	September 30, 2013	Consolidate & Mail Budget
		October 10, 2013	Customer Workshop to Review Budget
	COMMITTEE RECOMMENDED BUDGET	October 17, 2013	Finance, Audit & Power Committee Meeting Review Budget & Make Recommendation to Board
	BOARD APPROVED BUDGET	November 7, 2013	Board of Directors' Review & Approval of Budget
LONG-RANGE PLANNING CYCLE	LONG-RANGE FINANCIAL PLAN (LRFP) RATE-SETTING RESERVE PLANNING	December 2013	Identify Strategic Issues
		January-March 2014	Analyze Strategic Issues, Develop LRFP, Reserve Plan & Preliminary 2015 / 2016 Rate Schedule
		April 10, 2014	Customer Workshop to Review Preliminary 2015 / 2016 Rates
		April 17, 2014	Finance, Audit & Power Committee Review of Preliminary 2015 / 2016 Rates & Reserve Strategy
		May 1, 2014	Board of Directors Adopts Preliminary 2015 / 2016 Rates & Reserve Strategy
		June 5, 2014	Board of Directors Approves Final 2015 / 2016 Rates & Reserve Strategy
2015 BUDGET AMENDMENT	August 2014	Finance Develops 2015 Budget Review and Amendment (as necessary)	
	September 2014	2015 Budget Amendment Mailed to Customers & Board	
	October 16, 2014	Finance, Audit & Power Committee Review of 2015 Budget Amendment	
	November 6, 2014	Board of Directors' Review & Approval	

BUDGET GUIDELINES

Organization-wide assumptions are shown in the Biennial Budget Overview on page 2-1. The following budget guidelines and assumptions are communicated to cost centers (see Table of Organization on page 7-1) to develop the 2014 / 2015 budget:

- Human resources (Staffing) - see Summary of Positions on page 7-5.
 - New positions required to address strategic issues identified in the CAP Strategic Plan will be included in the budget after review and approval by the GM.
 - The staffing model will be used to evaluate alternatives when replacing and requesting new positions.
 - Human resource requirements needed to support CAP's succession planning program will be identified.
- Budgets will be developed using the CAP Strategic Plan and associated action plans.
- Budgets will not include any contingency funds.
- Capital projects must meet specified criteria set forth by the Project Steering Committee (PSC) to be included in the budget. Only capital projects approved by the PSC and General Manager (GM) will be included in the budget.
- Supporting detail must be provided for training, outside services, and capital and non-capital equipment.

BUDGETARY CONTROLS

The operating and capital budget must be approved by the Board prior to the beginning of the budget period. At the time the budget is approved, the Board delegates budget management authority to the GM within set parameters:

Operating Budget – Execute the budget and approve budget variances on a line item basis as follows:

- Up to 15% or \$1 million, whichever is less, within any fund, provided that the total expense within the affected fund does not exceed budget by the greater of \$250,000 or 2% of the annual budget.
- In the case of the General Fund, non-operating expenses are considered separately from operating expenses.
- Because of market volatility, power and transmission are excluded from this process and administered by an Energy Risk Oversight Committee.
- Central Arizona Groundwater Replenishment District (CAGR) Water for Recharge to meet obligations is excluded.
- Board approval is required for contracts over \$250,000.

Capital Budget – Execute the budget and approve budget variances for total capital spending up to 102% of the annual budget. Board approval is required for any contracts over \$250,000.

During the budget period, the following controls are in place to manage the budget:

- Cost center managers and supervisors are required to prepare quarterly budget to actual variance reports explaining year-to-date and full-year projected variances that fall outside a defined range. Spending reports are produced monthly.
- Finance is required to provide a quarterly budget and financial review to the Senior Management Team (SMT) and Board. This review reports year-to-date operating and capital budget performance and provides a full-year forecast of revenues and expenses by fund and the capital budget. If the full-year forecast indicates that the GM's variance authority may be exceeded, the Board is requested to provide direction to staff to increase the GM's variance authority for that item.
- Budget transfers are not allowed between funds and line items.
- End-of-Year Balances – Budgeted funds remaining at the end of the budget year are not rolled forward to the next budget year.
- Capital (includes projects and capital equipment) – For a new capital project not in the budget, it must be reviewed and approved by the PSC and managed within the capital budgetary controls. Capital equipment not in the budget must be approved by an SMT member and is managed within the current capital budgetary controls.

BIENNIAL BUDGET AMENDMENT PROCESS

Once the budget is approved by the Board, it is CAP's policy to amend only the second year of the budget if necessary. Prior to the beginning of the second budget year (e.g., budget year 2015), staff will request that the Board review and potentially amend the General Fund budget for major volatile items that are impacted by volume and rates. These items include water deliveries, water operations and maintenance (O&M), capital charge revenues and pumping power. Additional items may be amended if necessary.

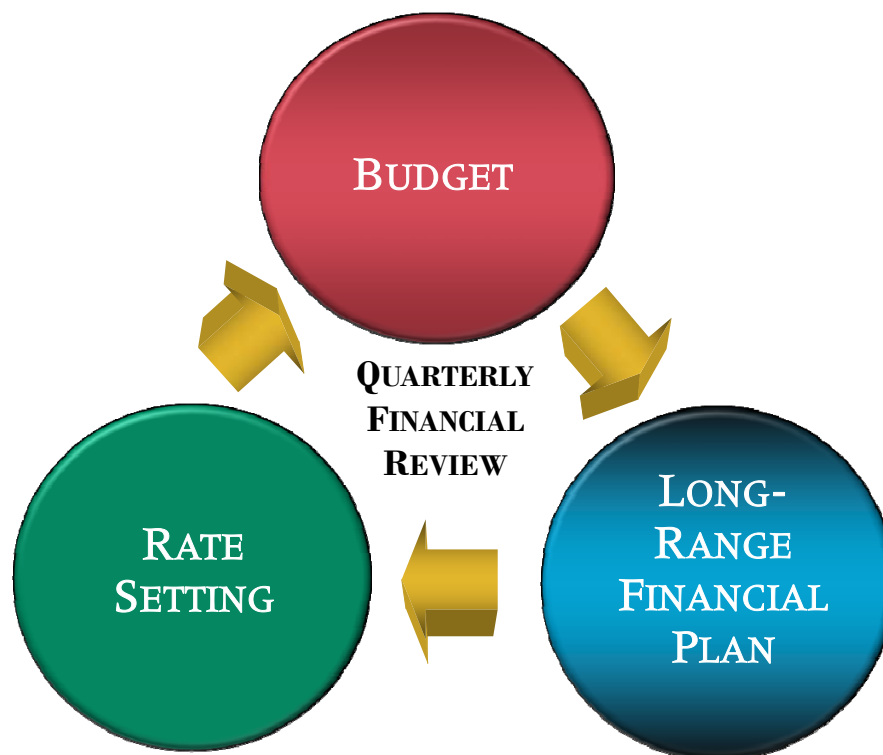
During each budget year, if the GM's budget authority is exceeded, the Board may be asked to either approve additional spending authority or to waive the variance authority on a particular budget line item. Such items do not constitute amendments to the budget, but authorization to exceed the budget. Line item variances that are below \$250,000 will not be taken to the Board, even if it causes the GM's 15% line item threshold to be exceeded.

The Board has directed staff to consider any unbudgeted work subsequently approved by the Board to include incremental budget variance authorization if needed. No budget amendments have been recommended since CAP began producing two-year budgets in 2006 / 2007.

OTHER PLANNING PROCESSES

FINANCIAL PLANNING & MANAGEMENT FRAMEWORK

The budget process is more than a self-contained activity. It is part of a dynamic financial planning and management framework. Formulation of the budget and measurement of budget performance are linked to other management processes within CAP, each of which incorporate and refine the information that is made available by the other processes. Strategies and objectives are identified and incorporated into the LRFP, rate-setting process, reserve planning and the budget. Execution and performance are evaluated by means of an authorization process, quarterly financial reviews and the annual operations, maintenance and replacement (OM&R) cost reconciliation to ensure that CAP accomplishes its strategies and objectives.



LONG-RANGE FINANCIAL PLAN

The LRFP is a 10-year financial forecasting model designed to assist in evaluating the impact of business strategies, external conditions, rate-setting alternatives, debt assumptions and capital programs, and to provide insight into the long-range financial implications of such factors on CAP's operations, reserves and cash flow.

The LRFP is updated every two years in even years, incorporating the latest information available from the recently completed budget, annual financial results, RPM and economic indices. Major assumptions that are reviewed and revised include water availability and delivery volumes, electricity requirements and pricing, staffing and capital programs. The LRFP update process is designed to intersect the rate-setting process.

RATE-SETTING PROCESS

Similar to the biennial budget process, CAP has implemented a biennial rate-setting process. A preliminary biennial water rate schedule and analysis is prepared and presented that identifies firm rates for one year (e.g., 2013), provisional rates for the next year (e.g., 2014) and advisory rates for the subsequent year (e.g., 2015). CAP communicates preliminary firm, provisional and advisory rates through customer workshops, public board meetings and written briefs. The preliminary rates are adopted or revised to be final rates at the June Board meeting. In the second year of the biennial rate-setting process, the provisional rates (e.g., 2014) become firm unless the Board elects to update them. Like the budget update process, the rate update process is only used if needed. The provisional 2014 and advisory 2015 rates were revised in June 2013 to address increased energy costs.

RATE-SETTING GOALS	COST RECOVERY	Water rates are set to recover costs on a long-term basis, net of other revenue sources
	ENCOURAGE USE	Water rates are set to facilitate the use of CAP water by those who need and are entitled to CAP water, and to further the policy of the State of Arizona to encourage use of renewable water supplies
	FINANCIAL STABILITY	Water rates are set to maintain a strong financial position and long-term balanced cash flows
	PRICE STABILITY & PREDICTABILITY	Water rates are set to maintain relatively stable and predictable rates
	OPERATIONAL EFFICIENCY	CAP commits to a goal of operating its facilities at the lowest possible cost consistent with maintaining a highly reliable service capability
	ACCOUNTABILITY	Water delivery policies and rates should be established in a highly public process only after due consideration and analysis of economic and financial impacts
	MAXIMIZE ECONOMIC BENEFIT	CAP seeks to maximize the economic benefit from the use of water it supplies by making excess water available for delivery to direct uses and storage activities within its service area
	LEGAL COMPLIANCE	Any rate-making processes and policies must be accomplished in accordance with statutory and contractual requirements

WATER DELIVERY RATES

CAP water rates are based on cost of service. Pumping power and other water delivery expenses are recovered primarily through separate components of the water delivery rates: (1) purchased power and (2) fixed OM&R. Operating costs that are not recovered through rates are covered by non-operating revenues (ad valorem taxes and interest income).

Rates for each year are calculated in advance based on expected water deliveries and related costs. Actual water deliveries can fluctuate considerably due to weather conditions and the availability of water. If actual deliveries fluctuate from the estimate used to set rates, water delivery revenues and pumping power costs will also fluctuate, but other water delivery expenses will not fluctuate based solely on water delivery volumes. In general, if water deliveries increase over the estimate used to set rates, operating income will increase. It also holds true that if water deliveries decrease, operating income will decrease.

Some of CAP's water delivery rates, specifically those applicable to long-term subcontract, federal and interstate water banking customers, are reconciled annually. This reconciliation process is described on page 4-10 as part of the annual OM&R reconciliation discussion.

CAP includes a "Big R" component for capital replacement and capital improvements projects in the OM&R rate. It is smoothed over time to prevent significant year-to-year fluctuations. It has been called "Big R" to identify it as part of OM&R and to distinguish it from the capital charge explained below. For 2014, the firm rate is set at \$23 an acre-foot and for 2015, the advisory rate is \$24 an acre-foot.

Starting in 2012, CAP began including a rate stabilization component in the OM&R rate. This rate will allow the accumulation of approximately \$20 million in a rate stabilization reserve prior to 2016, the date of the first potential water shortage. As indicated above, OM&R rates are calculated based on delivery volume and in the event of a shortage, rates would increase significantly. This amount would allow the rate impacts of a shortage to be phased in over a period of time (e.g., three years) rather than all at once. The rate stabilization fund also serves to reconcile rates annually.

The objective of the rate-setting process is to estimate rates that will be as close as possible to actual costs. The long-range financial forecasting model helps accomplish this objective. Since water delivery rates are set in advance, fluctuations in actual water deliveries may result in ongoing OM&R reconciliation adjustments to CAP's subcontract and federal customers.

CAPITAL CHARGES

Long-term municipal and industrial (M&I) subcontractors are assessed a capital charge on their allocations as specified by their subcontracts. Excess water customers including non-subcontract customers, CAGR and the Arizona Water Bank Authority (AWBA) are assessed a "facility use fee" which is equivalent to a capital charge on a delivered per acre-foot basis. The capital charge and facility use rate is set to assist in repaying CAP's share of the reimbursable costs for construction of CAP. This is combined with other revenue sources, as described in Repayment Obligation on page 4-14, to make up the annual amount due to the federal government.

EVALUATION

AUTHORIZATION PROCESS

Once the Board approves the budget and the new budget year begins, CAP's management is charged with executing the budget's business objectives and financial goals. In order to provide ongoing evaluation of individual commitments and expenditures for compliance with goals and objectives, CAP has established policies and procedures related to staffing unfilled positions, contracts and purchasing, acquisition of property and capitalization. These policies and procedures apply to all commitments and expenditures, budgeted or not.

For example, the contracts and purchasing policy, which establishes management approval authorization limits and competitive bidding processes, currently provides that all items over \$250,000 require Board approval. The PSC was established to be responsible for evaluating, recommending and approving specific capital and extraordinary maintenance projects within the Board-approved capital budget.

QUARTERLY FINANCIAL REVIEW

On a quarterly basis, the finance staff analyzes and evaluates actual budget performance, financial activity and trends. The results are provided to the SMT and Board. In addition to evaluating year-to-date operating and capital budget performance, a full-year forecast is developed for revenues, expenses, capital budget expenditures, statement of net position and General Fund strategic reserves. This review enables management to identify potential weaknesses or activities that may have an adverse impact on CAP and determine an appropriate course of action.

ANNUAL OM&R RECONCILIATION

CAP is party to a number of long-term subcontracts for water delivery. The subcontracts with long-term customers and the Settlement Stipulation with the federal government require reconciliation of actual OM&R costs to published water delivery rates on an annual basis.

If the analysis indicates that the rate billed to subcontract and federal customers exceeds the actual reconciled water delivery rate, a rebate is required to be paid back to the customers. If, however, the analysis indicates that the actual OM&R costs were greater than the published rates, the customers are required to reimburse for amounts underpaid.

To mitigate the financial impact to customers for these reconciled OM&R costs, CAP has established a rate stabilization fund that was originally funded through the sale of sulfur dioxide (SO₂) credits generated by the Navajo Generating Station (NGS). The reconciled amount is then adjusted through the rate stabilization fund to reduce variability on customers. As this account is nearing depletion, a new rate stabilization fund has been created and is discussed in Fixed OM&R Rate Component on pages 2-7 and 2-8 that will be used to reconcile the annual OM&R costs.

RESERVE PLANNING

As part of the two-year financial planning cycle, one of the activities for even years is a review of the General Fund Strategic Reserve Strategy and targets. The Board updated the Reserve Strategy in March 2010 and reviewed without changing it in 2012.

General Fund Strategic Reserves are cash reserves for unusual or unplanned events, such as equipment failures, business interruption or unplanned costs. These reserves may be drawn upon if unusual or unplanned events occur, or they may never be used at all. The Working Capital reserve is an exception to this rule, as it is a self-replenishing reserve used to smooth out timing differences in revenues and spending within each year. Known or planned expenditures or events are included in the budget and funded on a "pay as you go" basis through water rates and taxes. Other reserves have been established for specific purposes, such as the water storage reserve or rate stabilization (SO₂ credit) reserve, and are not included in the General Fund Strategic Reserve planning. See Fund Reserves beginning on page 4-15 for a more detailed description.



Canal Breach Mile Post 75



Aqueduct Maintenance South

DEBT AUTHORITIES & OBLIGATIONS

BONDING AUTHORITY

Provisions of Arizona Revised Statutes (ARS) authorize CAP, its legal name being Central Arizona Water Conservation District (CAWCD or District), to incur debt and identify a revenue source for the payment of that debt. CAP has authority to incur debt under the ARS listed below.

ARS § 35-451 *ET SEQ.*—GENERAL OBLIGATION BONDS

- Provides authority for CAWCD to issue general obligation bonds for any lawful or necessary purpose.
- Legal Restrictions: Does not specify a limit on the amount of bonds that can be issued, only that issuance of bonds requires voter approval. However, taxes to meet debt service requirements are separate from (in addition to) the taxing authority provided in ARS § 48-3751.
- CAWCD has not issued bonds under this statute.

ARS § 48-3713.01—WATER STORAGE BONDS

- Provides: CAWCD may issue revenue bonds for recharge and recovery facilities secured by revenues from recharge contracts to provide monies to acquire, develop, construct, operate and maintain water storage and recovery facilities.
- Legal Restrictions: Aggregate principal amount of such revenue bonds may not exceed \$35 million.
- CAWCD has not issued bonds under this statute.

ARS § 48-3751 *ET SEQ.*—REVENUE BONDS

- Provides: CAWCD may pledge revenues, including revenues from the sale of services or from contracts and fees from water, toward the payment of bonds. However, CAWCD may NOT pledge taxes or assessments on or against property toward the payment of revenue bonds issued under this article of Title 48. Further, if CAWCD issues revenue bonds to fund the costs of water rights acquisitions for replenishment purposes, such bonds are only repayable from revenues generated or collected from members of the CAGR. D.
- Legal Restrictions: Aggregate principal amount of bonds issued and outstanding cannot exceed \$500 million, excluding bonds issued before September 21, 1991.
- Under this statute, CAWCD issued revenue bonds in 1990 and 1991 and issued refunding bonds in 1993, 1994 and 2001. These bonds were secured by a pledge of revenues and related interest, from an additional rate component (ARC) charged to the Salt River Project (SRP) for certain allocated capacity and surplus energy in excess of the amounts needed from the CAP entitlement to the NGS for delivery of CAP water. The contract revenue bonds were issued and sold to fund the CAWCD's advances to the U.S. Department of the Interior in connection with financing of New Waddell Dam.
- As of November 1, 2010, all series bonds were redeemed and CAWCD does not have any outstanding bonds under this statute.

TAXING AUTHORITY

ARS § 48-3701 *ET SEQ.*—CAWCD'S ENABLING LEGISLATION

- Provides CAWCD the authority to:
 - Levy an ad valorem tax in the District's service area (Maricopa, Pima and Pinal Counties) to pay administrative costs and expenses of the District and to assist in repayment of the CAP system to the United States.
- Legal Restriction: The ad valorem tax levied under this statute cannot exceed \$0.10 per \$100 assessed valuation and CAWCD may not pledge this tax toward the payment of bonds.
- CAP has set the tax at \$0.10 per \$100 assessed valuation in 2013.

ARS § 48-3715.02 & A.R.S. 48-3715.03(A) —TAX LEVY FOR WATER STORAGE

- Authorizes CAP to levy a water storage tax up to \$0.04 per \$100 assessed valuation. The rate must be fixed by the third Monday in August each year.
- Provides that the Board shall determine whether all or any portion of such tax is to be applied to the payment or repayment of CAP construction or annual operations, maintenance and replacement costs. Any taxes levied for water storage that are not applied to the payment or repayment of CAP construction or annual operations, maintenance and replacement are to be deposited with the State Treasurer in the Arizona Water Banking Fund.
- CAP has set the tax at \$0.04 per \$100 assessed valuation in 2013.

REPAYMENT OBLIGATION

As specified in the CAWCD's enabling act (ARS § 48-3701 et seq.), in 1972, CAWCD entered into a Master Repayment Contract with the U.S. Department of the Interior, Bureau of Reclamation, to repay its allocated share of the reimbursable costs of the CAP system. The 50-year repayment period for each construction stage began upon substantial completion of each stage. The first stage (water supply system) was declared substantially complete on October 1, 1993. CAWCD was notified on September 30, 1996, that the second stage (regulatory storage facilities) was substantially complete.

Based on the terms of the Master Repayment Contract and the subsequent repayment settlement stipulation, CAWCD is obligated to repay \$1.646 billion to the federal government. The balance of the obligation is \$1.204 billion at the end of 2014 and \$1.172 billion at the end of 2015.

Revenues available to the CAWCD to make the annual repayment obligation (debt service) come from funds held by the federal government in the Basin Development Fund (BDF) and reserves. Funds available in the BDF include power revenues received from the sale of surplus power from the NGS, the surcharge on energy sold in Arizona from the Hoover Power Plant and the Parker-Davis Project, and other revenues. Other revenues include net NGS O&M revenues and expenses, the sale of SO₂ credits and land surplus for project needs and other miscellaneous revenues. If funds in the BDF are not sufficient to make the annual repayment obligation, the District will make up the difference from General Fund reserves that were collected through capital charges, property taxes and interest earnings.

FUND RESERVES

RESERVES BY CATEGORY

RESTRICTED RESERVES

These funds were established through contracts or legislation that limit the use for specific purposes.

Master Repayment Contract Reserves – The Master Repayment Contract established two reserves, the Emergency OM&R Reserve Fund and the Repayment Reserve Fund. The Emergency OM&R Reserve Fund was established to fund extraordinary costs of OM&R of project works. The Repayment Reserve Fund was established to help assure payments to the United States under the Master Repayment Contract. As part of the Settlement Stipulation, CAWCD is allowed to use these reserves for unforeseen and extraordinary O&M costs, unusual or extraordinary repair or replacement costs and betterment costs.

Major Repair / Replacement Reserve – This fund was established in 2007 pursuant to the Settlement Stipulation, to cover the costs associated with major repair or replacement of CAP features. Cash received from the additional rate component (ARC) that was not needed to pay outstanding revenue bonds (also referred to as the capacity charge) was deposited into this fund and was to be used for the purpose specified.

Supplemental Water Reserve (previously Ak-Chin Reserve) – This fund was established pursuant to legislation to acquire or conserve water to supplement CAP water supplies. Investment income continues to accrue on this fund.

CAGR D Replenishment Reserves – This fund consists of three accounts, one for each Active Management Area (AMA). Funds are to establish and maintain a replenishment reserve of long-term storage credits for each AMA.

CAGR D Water Rights & Infrastructure Reserves - This fund is comprised of activation fees and membership dues to support the CAGR D water acquisition program.

Captive Insurance Reserves -- Established in 2003, this fund provides a self-insurance mechanism for property, casualty and medical insurance to fund claims.

COMMITTED RESERVES

The following reserves have been committed to specific purposes as indicated below:

Extraordinary Cost Reserve – Established in 2013, this fund has been committed to address unpredictable cost concerns due to the uncertainty in the power and related markets as well as the impact of Proposition 117 that has placed a cap on property taxes. In June 2013, the Board increased ad valorem taxes by \$0.04 (increased to \$0.10 per \$100 assessed valuation) and directed the funds to be held in a separate account that is not included in strategic reserves. The Board will direct the purposes for which these funds can be used.

Water Storage Reserves – This fund was established in 2003 for the purpose of funding water delivery expenses incurred for underground storage. Monies deposited into this fund are collected from an ad valorem tax assessed at the rate of \$0.04 per \$100 of assessed valuation from Maricopa, Pinal, and Pima Counties. Prior to the 2003 / 2004 tax year, monies collected were deposited into the Arizona Water Banking Fund held by the State of Arizona for the benefit of the AWBA.

Rate Stabilization/Sulfur Dioxide (SO₂) Credit Reserves – Established in 2005, the SO₂ Credit Reserve is used to stabilize the total OM&R rate. This fund was supplemented by a new rate stabilization fund in 2012 that is funded from rates, not SO₂ credits. The SO₂ Credit Reserve Fund will be used prior to use of the new fund.

Navajo Decommissioning Reserves – Established in 2005, this fund was established to collect funds for CAP's share of future costs associated with decommissioning of the NGS.

CAGRD Reserves – These reserves include accounts for water rights and infrastructure (excluding activation fees and membership dues), water obligations for each AMA and an administration account.

9(d) debt Reserve – This reserve is comprised of funds from revenues associated with the allocation of non-Indian agricultural (NIA) water and provides the basis for a sinking fund, which will be for 9(d) debt service starting in 2026.

ASSIGNED RESERVES

The Board established several funds to provide reserves for potential future needs. These reserves are described below:

Capital Reserve – Established in 1990 for the purpose of funding future capital projects. The Board must authorize the use of these funds.

Operating Reserve – Established in 1990 for the purpose of funding future operating needs. The Board must authorize the use of these funds.

Contingency Reserve – This fund is set aside to act as a reserve for extraordinary legal, medical or property and liability damages. The fund is to be available to respond to any claims, judgments and related costs against CAP, its officers, directors and employees, if any, in excess of the outstanding insurance coverage.

UNASSIGNED RESERVES

Monies held by this fund are considered General Funds of CAP and are available for use as such. This is also referred to as a Working Capital Fund.

STRATEGIC RESERVES

The District maintains several reserves as indicated on the following chart. Several of these reserves are strategic reserves to meet unknown or unplanned events. The exception is the working capital reserves, which are self-replenishing and are used to meet daily cash requirements. Strategic reserves are comprised of restricted, assigned and unassigned reserves. Restricted are those funds that have an externally enforceable legal restriction placed on the use of the funds. Assigned are those funds the Board has directed staff to maintain. Unassigned funds are CAP's working capital operating funds.

In March 2010, the Board revised its strategic reserve targets to \$205 to \$210 million from a previous target of \$160 to \$165 million. Strategic reserves are projected to be below target temporarily at \$190 million for 2014 and \$173 million in 2015. The main drivers of this temporary decrease is negative Fair Market Value adjustments and the timing of some significant capital projects in this budget period.

General Fund Reserves Targets (millions)

Restricted Reserves:

Repayment Reserve	\$ 40.0
Emergency OM&R Reserve (\$4.0 million plus accrued interest)	\$ 5.0

Assigned Reserves:

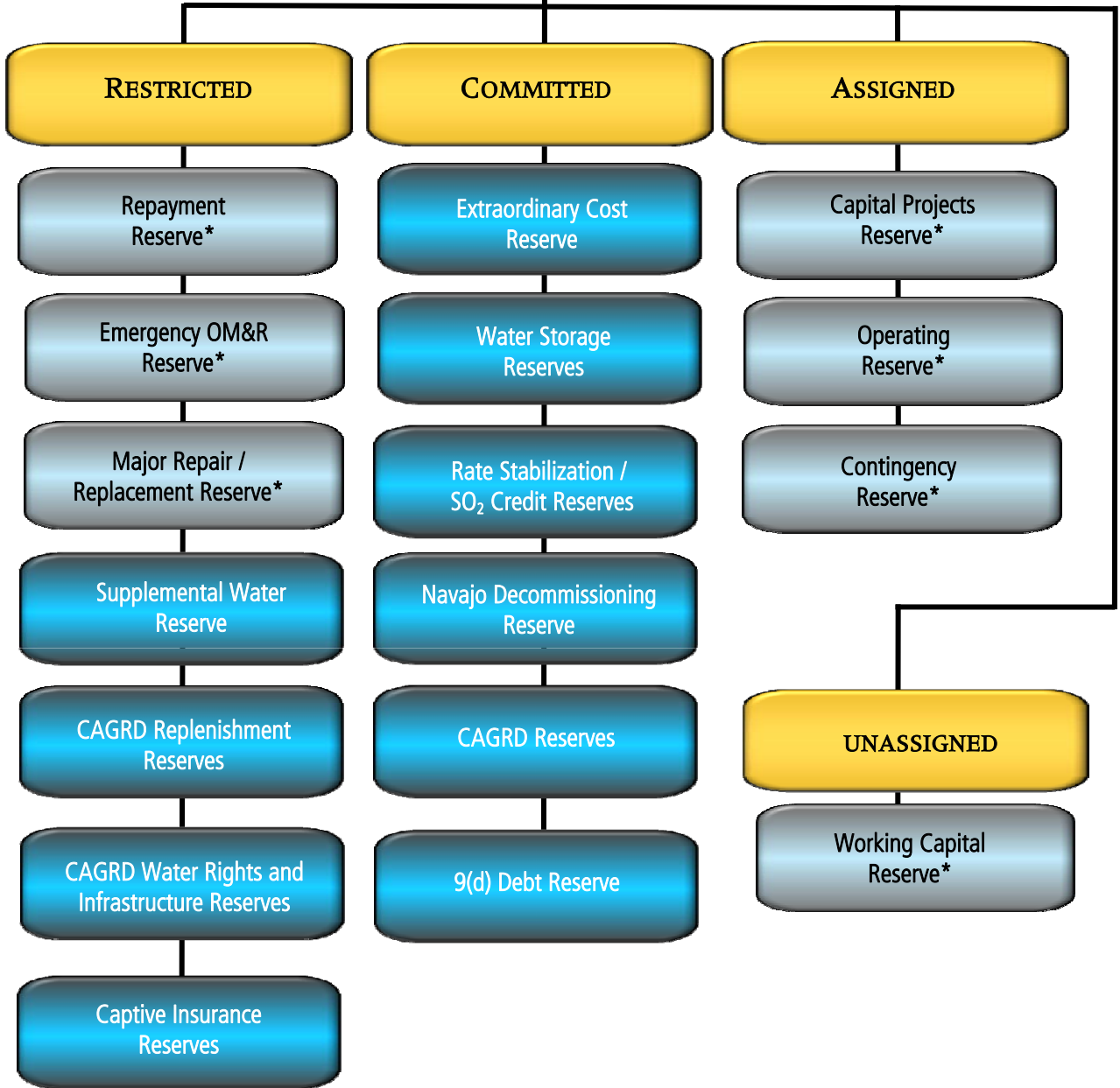
Capital Reserve	\$ 75.0
Operating Reserve	\$ 45.0
Contingency Reserve	\$ 10.0

Unassigned Reserves:

Working Capital Reserve	\$ 30.0 to \$ 35.0
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TOTAL	\$205.0 to \$210.0
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FUND RESERVES



* Strategic Reserve

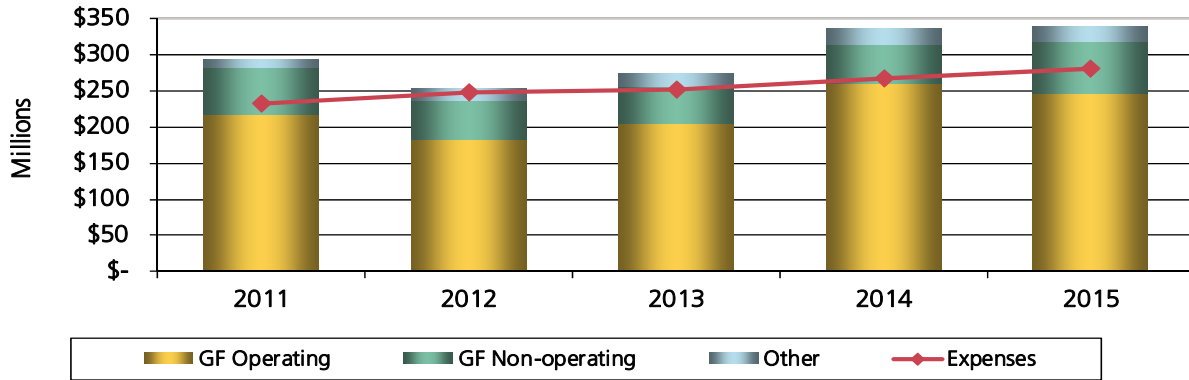
COMBINED FINANCIAL STATEMENTS & FUND STRUCTURE

Central Arizona Water Conservation District (CAWCD or District) accounts for its financial activities in conformance with Generally Accepted Accounting Principles (GAAP) as applicable to a government "enterprise fund." Activity is accounted for using the accrual method and incorporates the requirements of Government Accounting Standards Board (GASB) Statement No. 34. Because the District's activities are primarily business-like in nature, enterprise fund accounting treatment applies. The District is a special-purpose government, as opposed to a general government, such as a city or town. Under GASB Statement No. 14, *The Financial Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, CAWCD is a primary government with a single blended component unit, the CAWCD Insurance Company, Inc. (Captive). However, the District has identified a number of financial activities that it wishes to track separately, referred to as funds and accounts. The District is not required to have a legally adopted budget and, therefore, these funds are not subject to appropriation. Both the budget and financial statements include all funds and accounts.

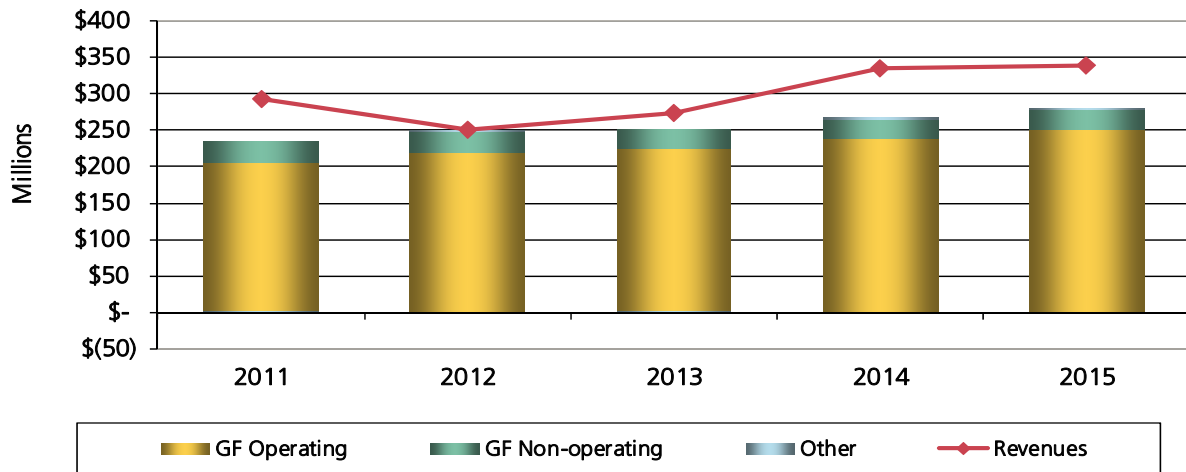
FUND	DESCRIPTION
General Fund	Represents CAWCD's core business, the delivery of Colorado River water to central Arizona through the Central Arizona Project (CAP) and repayment of reimbursable construction costs and is, by an order of magnitude, the largest fund within the District.
Central Arizona Groundwater Replenishment District Account (CAGR)	Represents the activities of the CAGR as authorized by Arizona Revised Statutes (ARS) § 48-3771 et. seq.
Supplemental Water Account (previously known as Ak-Chin Account)	Represents the activities related to a trust fund established by Section 7 of Public Law 98-530 and ARS § 45-3715.01 to acquire or conserve water to supplement Colorado River supplies.
Captive Insurance Fund	Represents the activities related to the CAWCD Captive Insurance Company, Inc., to provide a self-insurance mechanism for medical, property and casualty insurance.

SUMMARY OF REVENUES, EXPENSES & CHANGES IN NET POSITION

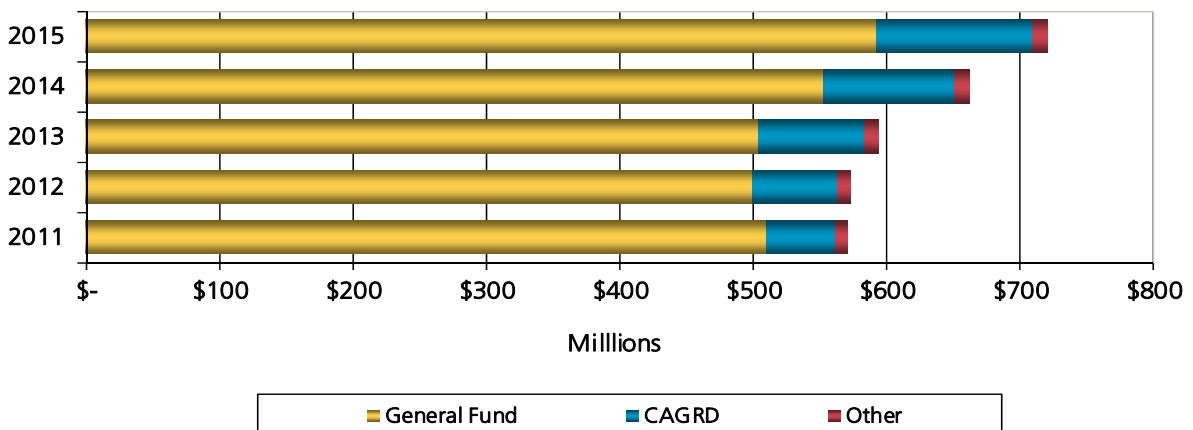
Revenues Compared to Expenses



Expenses Compared to Revenues



Net Position



SUMMARY OF REVENUES, EXPENSES & CHANGES IN NET POSITION - COMBINED

(In Thousands)

	2011 Actuals	2012 Actuals	2013 Projected	2014 Budget	2015 Budget
Operating Revenues					
Water operations & maintenance charges	\$ 148,520	\$ 142,805	\$ 151,347	\$ 177,394	\$ 190,444
Water service capital charges	13,677	12,022	10,518	42,549	14,858
Power and Basin Development Fund revenues	46,800	21,611	32,832	33,057	34,435
Reimbursements and other operating revenues	16,547	19,407	24,070	27,251	28,835
Total Operating Revenues	225,545	195,845	218,767	280,251	268,572
Operating Expenses					
Salaries and related costs	(50,867)	(53,200)	(54,767)	(56,640)	(58,345)
Pumping power	(88,996)	(91,568)	(94,259)	(101,867)	(111,570)
Transmission and capacity charges	(7,752)	(11,790)	(11,575)	(11,945)	(12,464)
Amortization and depreciation	(40,718)	(42,012)	(40,327)	(43,029)	(45,955)
Other operating expenses					
Outside services	(11,494)	(14,274)	(16,792)	(17,506)	(16,779)
Materials and supplies	(6,133)	(6,799)	(6,643)	(7,167)	(7,172)
Water for recharge	1,758	(640)	1,632	(1,027)	(537)
Other expenses	(109)	(435)	(1,387)	(1,327)	(1,725)
Subtotal	(15,978)	(22,148)	(23,190)	(27,027)	(26,213)
Total Operating Expenses	(204,311)	(220,718)	(224,118)	(240,508)	(254,547)
Operating Income/(Loss)	21,234	(24,873)	(5,351)	39,743	14,025
Non-operating Revenues/(Expenses)					
Property taxes	56,101	47,825	52,218	61,071	63,984
Interest income & other non-operating revenues	11,514	7,174	1,721	(6,888)	6,708
Interest expense & other non-operating expenses	(28,968)	(28,114)	(27,260)	(26,407)	(25,385)
Non-operating Revenues/(Loss)	38,647	26,885	26,679	27,776	45,307
Change in Net Position	59,881	2,012	21,328	67,519	59,332
Net Position at beginning of year	511,156	571,037	573,049	594,377	661,896
Net Position at end of year	\$ 571,037	\$ 573,049	\$ 594,377	\$ 661,896	\$ 721,228

SUMMARY OF REVENUES, EXPENSES & CHANGES IN NET POSITION-BY FUND & ACCOUNT
(In Thousands)

	2014 Budget	Elim	General Fund	Supp Water Account	CAGR Account	Captive Insurance Fund
Operating Revenues						
Water operations & maintenance charges	\$ 177,394	\$ (4,707)	\$ 182,101	\$ -	\$ -	\$ -
Water service capital charges	42,549	(525)	43,074	-	-	-
Power & basin development fund revenues	33,057	-	33,057	-	-	-
Reimbursements & other revenues	27,251	(9,153)	1,111	-	27,558	7,735
Total Revenues	280,251	(14,385)	259,343	-	27,558	7,735
Operating Expenses						
Salaries and related costs	(56,640)	400	(56,022)	-	(1,018)	-
Pumping power	(101,867)	-	(101,867)	-	-	-
Transmission and capacity charges	(11,945)	-	(11,945)	-	-	-
Amortization of permanent service right	(23,018)	-	(23,018)	-	-	-
Depreciation	(20,011)	-	(20,011)	-	-	-
Other operating expenses	-	-	-	-	-	-
Outside services	(17,506)	-	(16,069)	-	(1,244)	(193)
Materials and supplies	(7,167)	-	(7,166)	-	(1)	-
Overhead	4,695	-	5,706	-	(1,011)	-
Water for recharge	(1,027)	5,412	-	-	(6,439)	-
Other expenses	(6,022)	8,573	(7,380)	-	(29)	(7,186)
Subtotal	(27,027)	13,985	(24,909)	-	(8,724)	(7,379)
Total Expenses	(240,508)	14,385	(237,772)	-	(9,742)	(7,379)
Operating Income/(Loss)	39,743	-	21,571	-	17,816	356
Non-operating Revenues						
Property taxes	61,071	-	61,071	-	-	-
Interest income and other	(6,888)	-	(7,157)	150	107	12
Subtotal Net-operating Revenues	54,183	-	53,914	150	107	12
Non-operating Expenses						
Interest expense and other	(26,407)	-	(26,407)	-	-	-
Non-operating Income/(Loss)	27,776	-	27,507	150	107	12
Change in Net Position	67,519	-	49,078	150	17,923	368
Net Position at beginning of year	594,376	(2,350)	504,125	7,953	79,483	5,165
Net Position at end of year	\$ 661,895	\$ (2,350)	\$ 553,203	\$ 8,103	\$ 97,406	\$ 5,533

SUMMARY OF REVENUES, EXPENSES & CHANGES IN NET POSITION-BY FUND & ACCOUNT
(In Thousands)

	2015 Budget	Elim	General Fund	Supp Water Account	CAGR Account	Captive Insurance Fund
Operating Revenues						
Water operations & maintenance charges	\$ 190,444	\$(5,092)	\$ 195,536	\$ -	\$ -	\$ -
Water service capital charges	14,858	(525)	15,383	-	-	-
Power & basin development fund revenues	34,435	-	34,435	-	-	-
Reimbursements & other revenues	28,835	(9,368)	1,393	-	28,877	7,933
Total Revenues	268,572	(14,985)	246,747	-	28,877	7,933
Operating Expenses						
Salaries and related costs	(58,345)	400	(57,697)	-	(1,048)	-
Pumping power	(111,570)	-	(111,570)	-	-	-
Transmission and capacity charges	(12,464)	-	(12,464)	-	-	-
Amortization of permanent service right	(23,018)	-	(23,018)	-	-	-
Depreciation	(22,937)	-	(22,937)	-	-	-
Other operating expenses	-	-	-	-	-	-
Outside services	(16,779)	-	(15,444)	-	(1,145)	(190)
Materials and supplies	(7,172)	-	(7,172)	-	-	-
Overhead	5,238	-	6,279	-	(1,041)	-
Water for recharge	(537)	5,811	-	-	(6,348)	-
Other expenses	(6,963)	8,774	(8,089)	-	(30)	(7,618)
Subtotal	(26,213)	14,585	(24,426)	-	(8,564)	(7,808)
Total Expenses	(254,547)	14,985	(252,112)	-	(9,612)	(7,808)
Operating Income/(Loss)	14,025	-	(5,365)	-	19,265	125
Non-operating Revenues						
Property taxes	63,984	-	63,984	-	-	-
Interest income and other	6,708	-	6,428	152	116	12
Subtotal Non-operating Revenues	70,692	-	70,412	152	116	12
Non-operating Expenses						
Interest expense and other	(25,385)	-	(25,385)	-	-	-
Non-operating Income/(Loss)	45,307	-	45,027	152	116	12
Change in Net Position	59,332	-	39,662	152	19,381	137
Net Position at beginning of year	661,895	(2,350)	553,203	8,103	97,406	5,533
Net Position at end of year	\$ 721,227	\$(2,350)	\$ 592,865	\$ 8,255	\$ 116,787	\$ 5,670

STATEMENT OF NET POSITION - COMBINED

(In Thousands)

	2011 Actuals	2012 Actuals	2013 Projected	2014 Budget	2015 Budget
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 142,507	\$ 124,138	93,618	\$ 104,538	\$ 112,651
Receivables	18,635	19,573	23,133	72,818	61,148
Water inventory	45,243	45,249	48,250	57,714	73,547
Other	11,168	5,867	7,149	13,231	9,367
Total Current Assets	217,553	194,827	172,150	248,301	256,713
Non-current Assets					
Funds held by the federal government	28,351	16,922	35,681	33,519	34,920
Investments	150,456	184,491	204,560	227,306	242,488
Restricted assets	124,236	120,491	119,680	117,279	113,936
Capital assets					
Operating assets, less acc depr	171,458	190,488	200,530	226,118	260,290
Permanent service right, less acc amort	1,253,911	1,227,392	1,204,374	1,181,356	1,158,338
Agriculture water allocation	88,719	88,719	88,719	45,759	45,759
Total Non-current Assets	1,817,131	1,828,503	1,853,544	1,831,337	1,855,731
Total Assets	\$ 2,034,684	\$ 2,023,330	2,025,694	\$ 2,079,638	\$ 2,112,444
LIABILITIES					
Current Liabilities					
Accounts payable	\$ 13,639	\$ 18,092	16,692	\$ 20,119	\$ 19,734
Accrued payroll, payroll taxes & other accrued exp.	7,469	7,857	8,281	8,722	9,178
Unearned revenue	26,974	28,607	32,908	38,703	40,432
Accrued interest payable	28,967	28,114	27,260	26,407	25,385
Repayment obligation, due within one year	26,344	26,343	26,343	31,361	31,361
Total Current Liabilities	103,393	109,013	111,484	125,312	126,090
Non-current Liabilities					
Repayment obligation, due after one year	1,256,481	1,230,136	1,203,794	1,172,432	1,141,071
Non-Indian agriculture 9(d) debt	88,719	88,719	88,719	88,719	88,719
Other non-current liabilities	12,990	14,223	15,512	16,860	18,267
Total Non-current Liabilities	1,358,190	1,333,078	1,308,025	1,278,011	1,248,057
Total Liabilities	1,461,583	1,442,091	1,419,509	1,403,323	1,374,147
DEFERRED INFLOWS					
Customer deposits	2,064	8,190	11,809	14,420	17,070
Total Deferred Inflows	2,064	8,190	11,809	14,420	17,070
NET POSITION					
Net investment in capital assets.	142,545	161,401	174,768	203,681	246,196
Restricted	95,269	92,377	92,420	88,872	86,551
Unrestricted	333,223	319,271	327,188	369,342	388,480
Total Net Position	571,037	573,049	594,376	661,895	721,227
Total Liabilities, Def Inflows & Net Position	\$ 2,034,684	\$ 2,023,330	2,025,694	\$ 2,079,638	\$ 2,112,444

STATEMENT OF NET POSITION - BY FUND & ACCOUNT

(In Thousands)

	2014 Budget	Elim	General Fund	Supp Water Account	CAGR Account	Captive Insurance Fund
ASSETS						
Current Assets						
Cash and cash equivalents	\$ 104,538	\$ -	\$ 61,028	\$ -	\$ 36,413	\$ 7,097
Receivables	72,818	(99)	63,094	-	9,823	-
Water inventory	57,714	-	29,094	-	28,620	-
Other	13,231	-	13,231	-	-	-
Total Current Assets	248,301	(99)	166,447	-	74,856	7,097
Non-current Assets						
Funds held by the federal government	33,519	-	33,519	-	-	-
Investments	227,306	(2,350)	229,261	-	-	395
Other assets	117,279	-	89,809	8,103	17,117	2,250
Capital assets	-	-	-	-	-	-
Operating assets, less acc depr	226,118	-	217,358	-	8,760	-
Permanent service right, less acc amort	1,181,356	-	1,181,356	-	-	-
Agriculture water allocation	45,759	-	45,759	-	-	-
Total Non-current Assets	1,831,337	(2,350)	1,797,062	8,103	25,877	2,645
Total Assets	\$ 2,079,638	(2,449)	1,963,509	8,103	100,733	9,742
LIABILITIES						
Current Liabilities						
Accounts payable	\$ 20,119	\$ (99)	\$ 14,182	\$ -	\$ 3,327	\$ 2,709
Accrued payroll, payroll taxes & other	8,722	-	8,722	-	-	-
Unearned revenue	38,703	-	37,203	-	-	1,500
Accrued interest payable	26,407	-	26,407	-	-	-
Repayment obligation, due within 1 yr	31,361	-	31,361	-	-	-
Total Current Liabilities	125,312	(99)	117,875	-	3,327	4,209
Non-current Liabilities						
Repayment obligation, due after 1 year	1,172,432	-	1,172,432	-	-	-
Non-Indian agriculture 9(d) debt	88,719	-	88,719	-	-	-
Other liabilities	16,860	-	16,860	-	-	-
Total Non-current Liabilities	1,278,011	-	1,278,011	-	-	-
Total Liabilities	1,403,323	(99)	1,395,886	-	3,327	4,209
DEFERRED INFLOWS:						
Customer deposits	14,420	-	14,420	-	-	-
Total Deferred Inflows	14,420	-	14,420	-	-	-
NET POSITION						
Net Investment in capital assets,	203,681	-	194,921	-	8,760	-
Restricted	88,872	-	63,402	8,103	17,117	250
Unrestricted	369,342	(2,350)	294,880	-	71,529	5,283
Total Net Position	661,895	(2,350)	553,203	8,103	97,406	5,533
Total Liabilities, Def Inflows & Net Position	\$ 2,079,638	(2,449)	1,963,509	8,103	100,733	9,742

STATEMENT OF NET POSITION - BY FUND & ACCOUNT

(In Thousands)

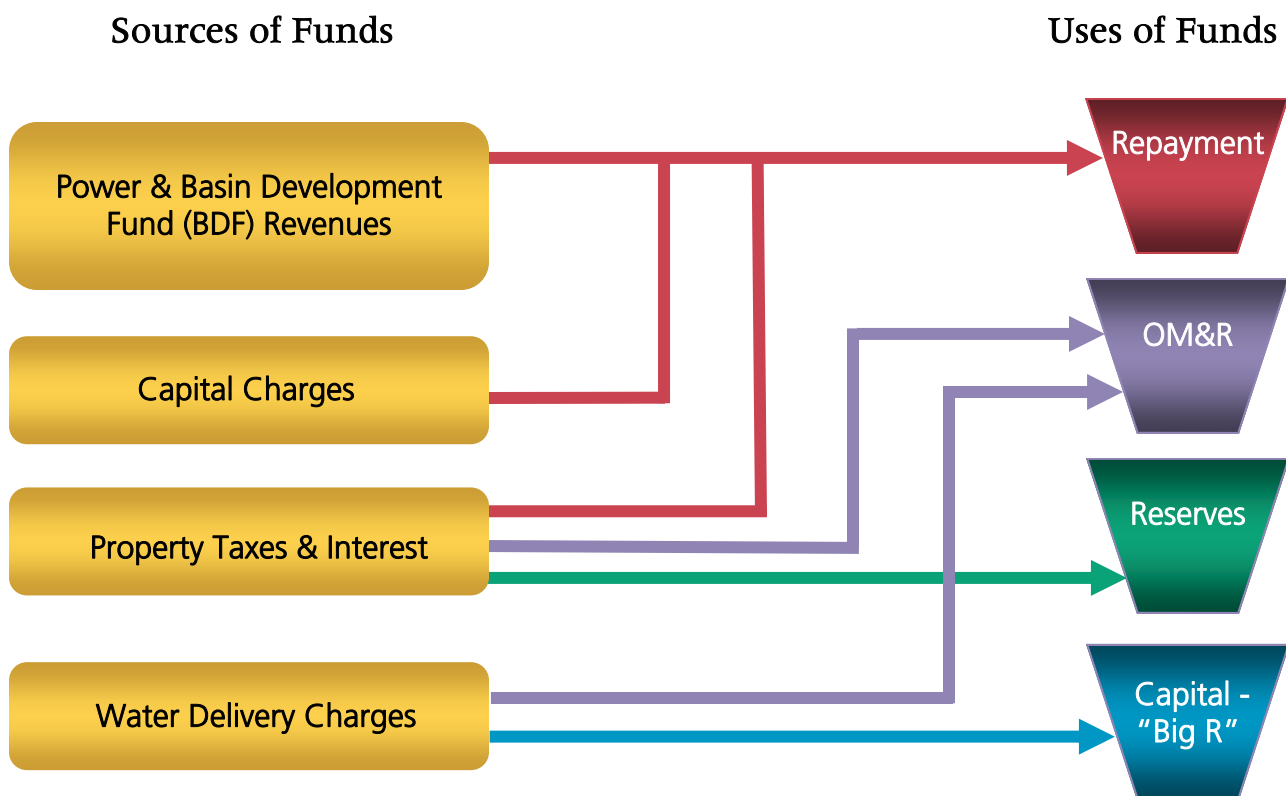
	2015 Budget	Elim	General Fund	Supp Water Account	CAGR Account	Captive Insurance Fund
ASSETS:						
Current Assets:						
Cash and cash equivalents	\$ 112,651	\$ -	\$ 76,149	\$ -	\$ 28,779	\$ 7,723
Receivables	61,148	(99)	52,606	-	8,641	-
Water inventory	73,547	-	29,934	-	43,613	-
Other	9,367	-	9,367	-	-	-
Total Current Assets	256,713	(99)	168,056	-	81,033	7,723
Non-current Assets:						
Funds held by the federal government	34,920	-	34,920	-	-	-
Investments	242,488	(2,350)	244,443	-	-	395
Other assets	113,936	-	84,775	8,255	18,656	2,250
Capital assets	-	-	-	-	-	-
Operating assets, less acc depr	260,290	-	241,028	-	19,262	-
Permanent service right, less acc amort	1,158,338	-	1,158,338	-	-	-
Agriculture water allocation	45,759	-	45,759	-	-	-
Total Non-current Assets	1,855,731	(2,350)	1,809,263	8,255	37,918	2,645
Total Assets	\$ 2,112,444	(2,449)	1,977,319	8,255	118,951	10,368
LIABILITIES:						
Current Liabilities:						
Accounts payable	\$ 19,734	\$ (99)	\$ 14,471	\$ -	\$ 2,164	\$ 3,198
Accrued payroll, payroll taxes & other	9,178	-	9,178	-	-	-
Unearned revenue	40,432	-	38,932	-	-	1,500
Accrued interest payable	25,385	-	25,385	-	-	-
Repayment obligation, due within 1 yr	31,361	-	31,361	-	-	-
Total Current Liabilities	126,090	(99)	119,327	-	2,164	4,698
Non-current Liabilities:						
Repayment obligation, due after 1 year	1,141,071	-	1,141,071	-	-	-
Non-Indian agriculture 9(d) debt	88,719	-	88,719	-	-	-
Other liabilities	18,267	-	18,267	-	-	-
Total Non-current Liabilities	1,248,057	-	1,248,057	-	-	-
Total Liabilities	1,374,147	(99)	1,367,384	-	2,164	4,698
DEFERRED INFLOWS:						
Customer deposits	17,070	-	17,070	-	-	-
Total Deferred Inflows	17,070	-	17,070	-	-	-
NET POSITION:						
Net Investment in capital assets,	246,196	-	226,934	-	19,262	-
Restricted	86,551	-	59,390	8,255	18,656	250
Unrestricted	388,480	(2,350)	306,541	-	78,869	5,420
Total Net Position	721,227	(2,350)	592,865	8,255	116,787	5,670
Total Liabilities, Def Inflows & Net Position	\$ 2,112,444	(2,449)	1,977,319	8,255	118,951	10,368

GENERAL FUND

The General Fund has the largest share of CAWCD’s financial activities. The combined financial statement presentation consolidates the General Fund revenues and expenses into operating and non-operating categories. For management reporting purposes, the General Fund is further separated to provide visibility to extraordinary maintenance and operating projects and to underground storage project (recharge) operations and maintenance (O&M) activity.

The District has several sources of revenue used to fund expenses for certain activities. As shown on the following diagram, Power and Basin Development Fund (BDF) revenues and capital charges, along with property taxes and interest income, provide the funds to meet the District’s annual federal debt service. Water delivery charges, reimbursements, other revenues and, to the extent needed, property taxes and interest income, pay for costs associated with delivering water (Fixed OM&R and pumping power), recharge O&M and capital expenditures.

GENERAL FUND SOURCES AND USES OF FUNDS



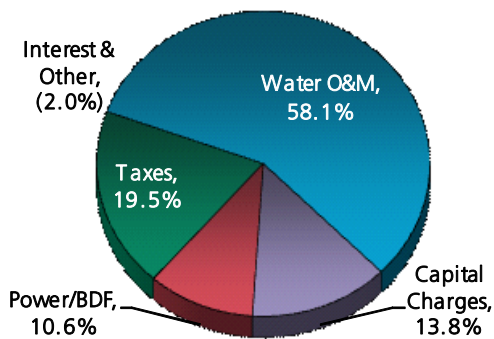
Excludes recharge O&M and excludes misc revenues/expenses

REVENUES

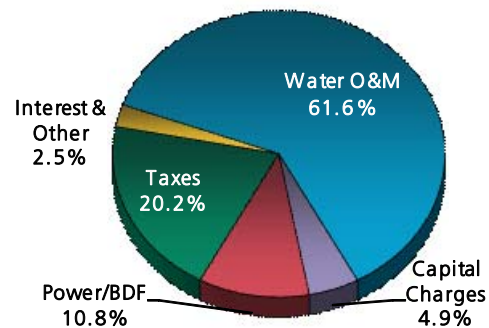
Revenues consist of water O&M revenue, capital charges, BDF revenues, property taxes, interest income and reimbursements and other revenues.

Water O&M charges are the General Fund's most significant revenue source, accounting for total revenue of 58.1% for 2014 and 61.6% for 2015. Property taxes (which includes both the general ad valorem tax and the water storage tax) represent the second largest category, followed by BDF revenues, capital charges, interest income and other revenue.

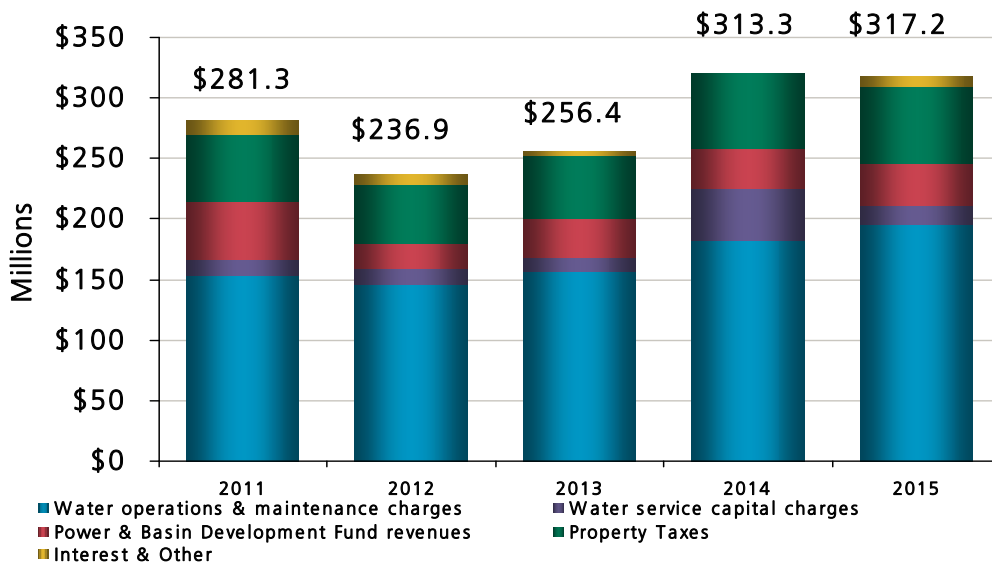
General Fund - 2014 Revenues
(\$313.3 Million)



General Fund - 2015 Revenues
(\$317.2 Million)



General Fund Revenues



EXPLANATION OF CHANGES

Total General Fund revenues are projected to increase \$56.9 million for 2014 and \$3.9 million in 2015. The following discussion further explains the changes in the 2014 and 2015 revenue budget.

Water O&M Charges

As discussed in the Water Delivery Volumes and Water Delivery Charges on pages 2-4 through 2-9, water O&M revenue is directly linked to the amount of water that is delivered and the rates that are charged. It is anticipated that both 2014 and 2015 will be normal delivery years with water deliveries of 1.58 million acre-feet and 1.57 million acre-feet, respectively. Water deliveries for 2013 are projected to be 1.54 million acre-feet. The water O&M rate (excluding the rate stabilization component) will increase by \$18/AF in 2014 and \$11/AF in 2015, mainly attributable to the increase in pumping power costs related to the Navajo Generating Station (NGS).

Water O&M revenue is also impacted by the amount of water storage tax that the Arizona Water Banking Authority (AWBA) uses to pay for its water (revenue is recorded upon receipt of the water storage tax and consequently is not recorded if the tax is used to pay for water deliveries). AWBA will use \$7.4 million in 2014 and \$6.8 million in 2015 for water purchases as compared to \$5.3 million in 2013.

<i>(Millions)</i>	2013 Projected	2014 Budget	2015 Budget	14 vs 13 incr/(decr)	15 vs 14 incr/(decr)
Water O&M charges	\$ 157.0	\$ 182.1	\$ 195.5	\$ 25.1	\$ 13.4
Capital charges	11.2	43.1	15.4	31.9	(27.7)
Power & BDF revenues	32.8	33.1	34.4	0.3	1.3
Property taxes	52.2	61.1	64.0	8.9	2.9
Interest income	1.5	17.7	6.4	16.2	(11.3)
Other revenue	1.7	(23.8)	1.5	(25.5)	25.3
Total	\$ 256.4	\$ 313.3	\$ 317.2	\$ 56.9	\$ 3.9

Capital Charges

The capital charge rate increases to \$20 per acre-foot for 2014 and \$21 per acre-foot in 2015 as compared to \$15 per acre-foot in 2013.

It is anticipated that 46,629 acre-feet of Non-Indian Agriculture (NIA) water will be allocated by the end of 2014. Part of this reallocation includes back capital charges that is approximately \$28.0 million. While the revenue will be recorded upon reallocation, it is expected most customers will choose the five-year payment plan that will be available.

Power & BDF Revenues

Power and BDF revenues fluctuate each year for a variety of reasons, including:

- Timing of revenues and expenses for the NGS activity
- Surplus NGS power sales and the variability of the power markets
- Transmission revenues and costs
- Land use charges and sales of land

Each of these items influence the amount of funds in the BDF each year that are available toward the District's annual repayment obligation.

For 2014 and 2015, BDF revenues are expected to be fairly flat with 2013. BDF revenue is shown on the following table:

<i>(Millions)</i>	2013 Projected	2014 Budget	2015 Budget	14 vs 13 incr/(decr)	15 vs 14 incr/(decr)
Power sales:					
SRP consideration fee	\$ 25.2	\$ 26.0	\$ 26.8	\$ 0.8	\$ 0.8
Net surplus power/ net NGS operator	\$ (2.1)	\$ (4.1)	\$ (4.1)	\$ (2.0)	\$ -
Hoover 4.5 mil revenue	3.4	3.2	3.2	(0.2)	-
Parker-Davis 4.5 mil revenue	2.7	2.7	2.7	-	-
Net CAP transmission revenues	1.8	1.8	1.8	-	-
Land related revenue	0.6	2.7	3.2	2.1	0.5
Misc NGS Revenues	1.3	0.8	0.8	(0.5)	-
Total	\$ 32.9	\$ 33.1	\$ 34.4	\$ 0.2	\$ 1.3

Property Taxes

CAWCD is authorized to assess two property taxes in Maricopa, Pinal and Pima Counties—a general ad valorem tax and a water storage tax. CAP's property taxes are based on property's Net Assessed Value (NAV) which is the market-based Full Cash Value (FCV) multiplied by the assessment ration for each specific property (e.g. the assessment ratio for residential property is 10%). In June 2007, the Board reduced the general ad valorem tax rate from \$0.08 to \$0.06 per \$100 of NAV for the tax year 2007 / 2008, leaving the water storage tax at \$0.04 per \$100 of NAV. The rates had been held until June 2013 when the Board increased the general ad valorem tax rate to \$0.10 per \$100 NAV. The additional \$.04 was directed to be held in a separate account including accrued interest for extraordinary cost expenditures due to the uncertainty in the power market, NGS concerns and the impacts of Proposition 117.

Proposition 117 limits the annual growth in the Primary Limited Property Values (LPV) of all locally assessed property to 5%. In addition, while the Secondary Full Cash Value (FCV) will continue to be established by the assessor departments, all property will be taxed based on the LPV. The bill takes effect with valuations to be sent out by March 1, 2014. This equates to tax year 2015, or fiscal year 2016, in terms of collections for CAP. The result of this change is that increases in property values will potentially have a much lower impact on property tax revenue year-over-year.

The Board establishes the tax rates each June for the following tax year and may change the rates as it deems appropriate. Property values increased significantly from 2003 through 2008 and, at a constant rate, the District saw increased ad valorem revenue from the 2005 through 2009 years due to the approximate two-year lag between property value changes and ad valorem tax collection. With the bursting of the property value bubble in 2008 through 2009, at a consistent rate, the District's ad valorem tax revenue decreased significantly over the last few years. The general ad valorem tax, while available for most District needs, has in recent years been used primarily to pay for the agricultural Fixed OM&R costs and agricultural incentive program. In exchange for agricultural customers giving up their water rights, there was an agreement to put in place the agricultural settlement pool and payment for the associated Fixed OM&R costs. This pool is currently 400,000 acre-feet. It decreases to 300,000 in 2017, to 225,000 in 2024 and to 0 in 2031. The agricultural incentive program was designed to assist agricultural customers with energy costs and is evaluated as part of each rate cycle.

The Board over the last several years has approved the retention of the water storage tax rather than transferring it to the Arizona Water Storage Fund to be used by AWBA. These funds are placed in a separate reserve fund to be used for operating costs associated with the delivery of water.

Calendar Year	General Ad Valorem Tax (Millions)	Water Storage Ad Valorem Tax (Millions)	Total Revenue (Millions)	Year-over-Year Increase (Millions)
2011	\$33.6	\$22.5	\$56.1	\$3.4
2012	28.7	19.1	47.8	(8.3)
2013	34.8	17.4	52.2	4.4
2014	44.1	17.0	61.1	8.9
2015	46.0	18.0	64.0	2.9

Interest Income

Interest income, including fair market value (FMV) adjustments, has decreased significantly from prior years due to the instability in the financial markets and rising interest rates. Due to state statute requirements on types of investments and as the District puts safety and liquidity over return, much of the investments are in bonds. The impact of this investment strategy is that 2013 has seen a negative FMV adjustment (offsetting prior years' positive FMV adjustments). It is expected that interest rates will continue to increase over the budget period and will drive a negative FMV adjustment of approximately \$2 million per year during the budget period.

Part of the NIA water rights reallocation is the payment of back capital charges (explained on page 5-11) and interest on the back capital charges. It is expected that the District will have \$13.6 million in interest in 2014 related to the NIA reallocation. There will also be interest the next few years as part of the 5-year payment plan, including \$1.9 million in 2015.

Other Revenue

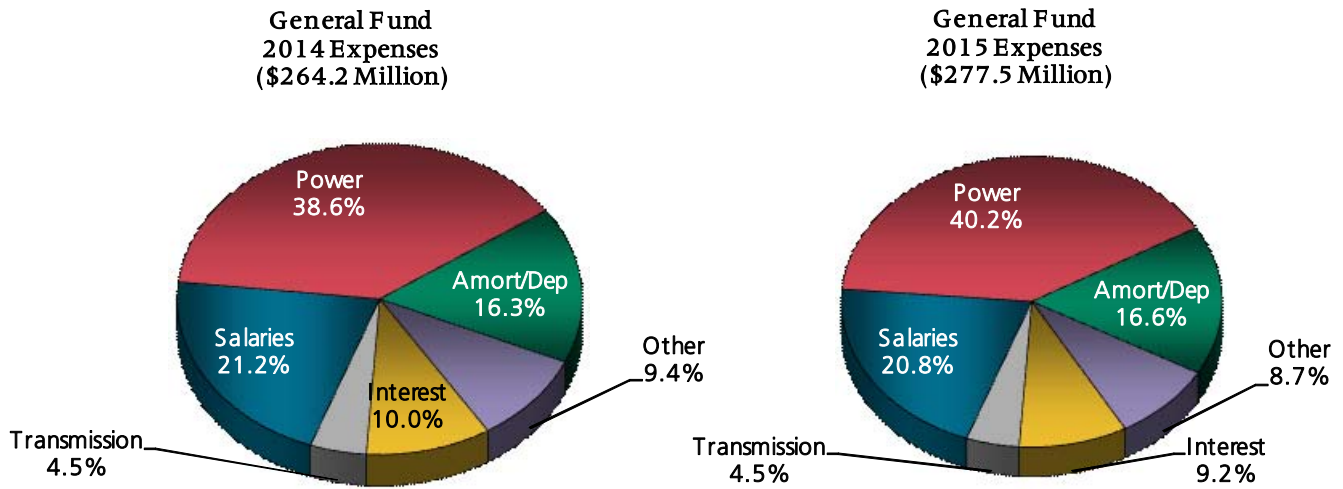
Other revenue is usually revenue from Recharge O&M with some smaller revenues associated with customer land use reimbursements and other miscellaneous revenues. These revenues are anticipated to remain stable for 2014 through 2015.

Part of the NIA payment is related to 9(d) debt service for which the District has assumed a liability from the United States Government. The asset is the Agricultural Water Allocation on the Statement of Net Position and the liability is the NIA 9(d) Debt. As the allocations are made, part of the payment is for the 9(d) debt that will be deposited into a separate reserve account. The asset is discounted based on the current value as a result of payment schedule of the 9(d) debt payments. A corresponding write-down of the asset will be made upon the allocation that amounts to \$24.8 million in 2014.

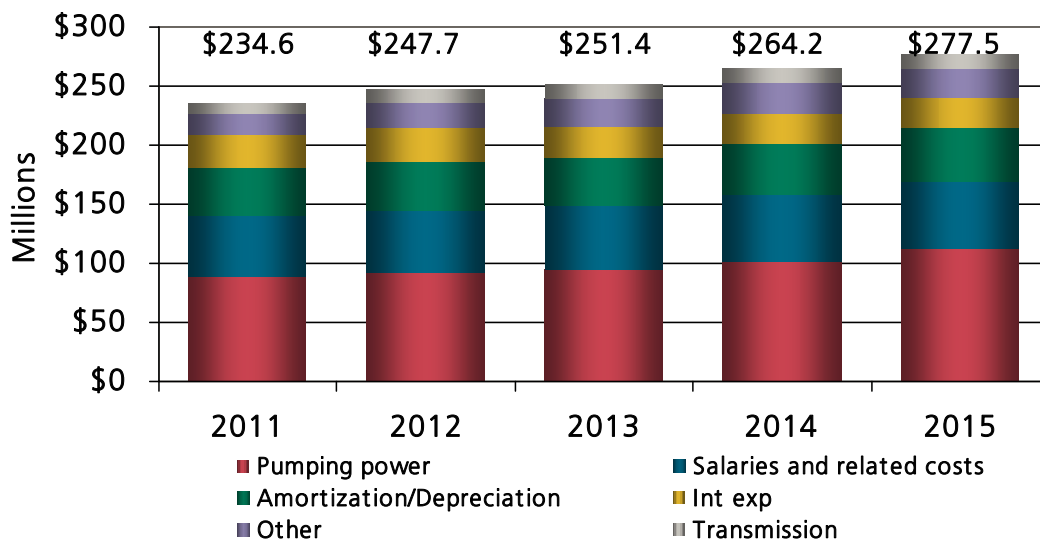
EXPENSES

Expenses consist of pumping power, salaries and related costs, amortization and depreciation, interest and other operating costs.

Pumping power is the District's most significant expense, accounting for 38.6% of the 2014 expenses and 40.2% of the 2015 expenses. Salaries and related costs represent the second largest category, followed by amortization and depreciation, interest expense, other costs and transmission costs.



General Fund Expenses



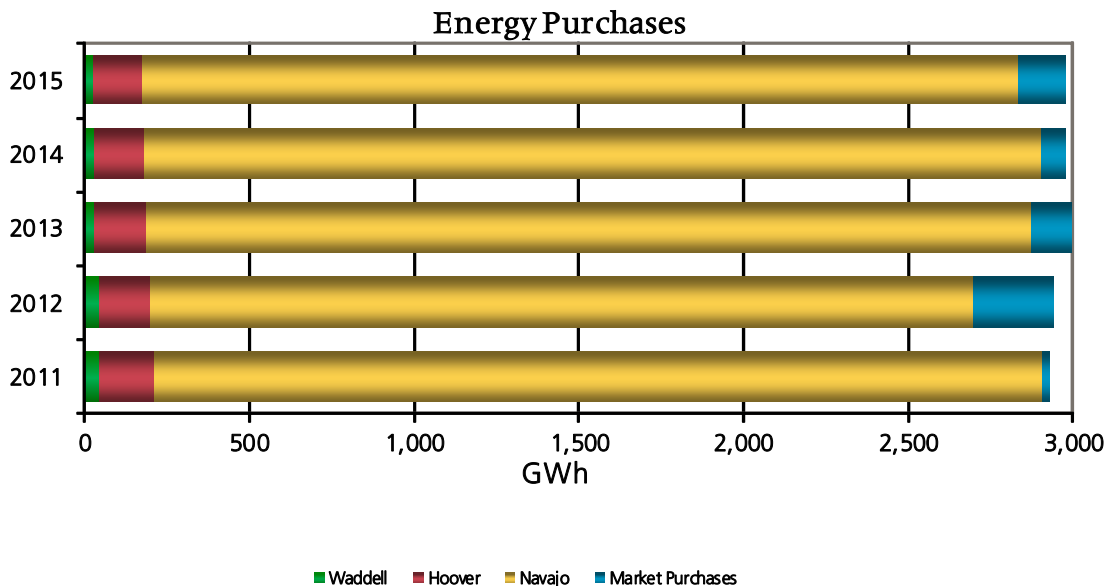
EXPLANATION OF CHANGES

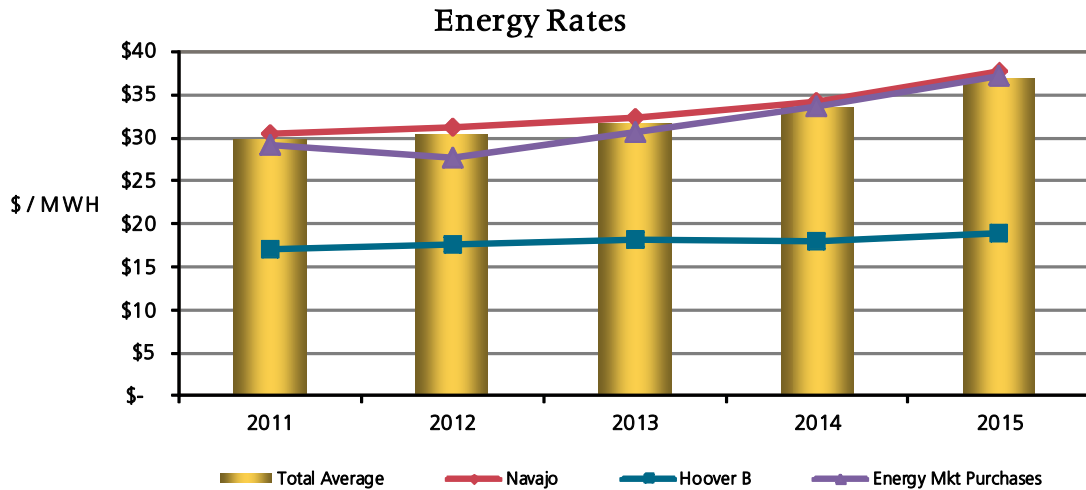
There are three major factors that affect expenses: (1) an aging infrastructure is resulting in higher maintenance costs and increased depreciation due to greater capital spending, (2) power costs are forecasted to increase due to increased operating and capital costs of NGS, and (3) the District is experiencing significant legislative issues that require expenditures in an attempt to mitigate the impact on the District and our customers. The following discussion further explains the 2014 / 2015 expense budget.

(Millions)	2013 Projected	2014 Budget	2015 Budget	13 vs 14 incr/(decr)	14 vs 15 incr/(decr)
Salaries and related costs	\$ 54.2	\$ 56.0	\$ 57.7	\$ 1.8	\$ 1.7
Pumping power	94.3	101.9	111.6	7.6	9.7
Transmission	11.6	11.9	12.5	0.3	0.6
Amortization/Depreciation	40.3	43.0	46.0	2.7	3.0
Interest expense	27.3	26.4	25.4	(0.9)	(1.0)
Other Expenses	23.7	25.0	24.3	1.3	(0.7)
Total expenses	\$ 251.4	\$ 264.2	\$ 277.5	\$ 12.8	\$ 13.3

Pumping Power

Five factors influence pumping power costs: (1) the amount of power needed to divert water from the Colorado River, (2) the number of pumping stations through which the water must travel to get to its delivery point, (3) the increase or decrease in water inventory in both Lake Pleasant and water credits, (4) the unit cost of purchased energy and (5) the energy trading markets. The following graphs show the gigawatt hours (GWh) of energy needed from 2011 to 2015 and the average cost of energy in total and by category. Energy market purchases are costs for buying and selling power for operational needs, when NGS power is not available.





Energy costs increase significantly from 2011 through 2015 as a result of NGS operating costs, mostly related to fuel, inflation adjustments, regulatory requirements and a new water supply contract. Starting in 2015 the Mercury and Air Toxic Standards (MATS) are increasing operating and capital costs also. Loss on the sale of reserved energy and National Environmental Protection Act (NEPA) costs in anticipation of the future lease extensions also negatively impact the Navajo rate.

Storage in Lake Pleasant is accounted for as water inventory on the statement of net position. If water is released from the lake to meet demands, pumping power costs increase and water inventory decreases. However, if more water is stored in the lake, water inventory will increase on the statement of net position and pumping power costs will decrease. Other energy costs include energy scheduling and balancing services that are required under the power arrangements.

<i>Energy Costs (Millions)</i>	2011	2012	2013	2014	2015
Navajo	\$ 82.1	\$ 78.1	\$ 87.0	\$ 93.0	\$ 100.0
Hoover B	2.8	2.8	2.8	2.7	2.9
Energy Market Purchases	0.5	6.7	3.7	2.5	5.3
Recovery energy	0.2	-	-	-	-
Energy scheduling services	0.7	1.3	1.3	1.4	1.4
Energy balancing services	0.6	1.8	1.8	1.8	1.9
MWD agreement expense	0.1	-	0.1	0.1	0.1
Lake Pleasant adjustment	2.0	0.5	(3.0)	0.1	-
Lake Roosevelt adjustment	-	0.4	0.6	0.3	-
Net pumping power costs	\$ 89.0	\$ 91.6	\$ 94.3	\$ 101.9	\$ 111.6

Transmission

Transmission costs increased in 2012 due in part to the new power agreements where Navajo transmission costs are broken out from the Navajo power costs, and also due to a change in the transmission operating agreements. Additionally, due to reliability issues, CAP began purchasing firm transmission as opposed to non-firm transmission that has been purchased in the past, which is more expensive.

Western Area Power Authority (WAPA) provides transmission line maintenance for the CAP transmission system through an interagency agreement that is included in transmission costs.

Salaries and Related Costs

Salaries and related costs are anticipated to increase \$1.8 million in 2014 and \$1.7 million in 2015 for the General Fund. CAP is seeing a significant number of retirements and prior to replacement, each position is reviewed to determine the most effective and efficient manner to fill the needs of that position, whether it be through replacement, consolidation or restructuring. There are no additional full time equivalents (FTEs) being requested during the budget period. Due to the high level of retirements and the hiring process including filling positions internally before hiring from outside the District, there are open positions in 2013 that are planned to be filled. As a result of a recent compensation study, salary adjustments are included at 3% per year for each budget year. The amount of labor spent on capital projects will also impact the General Fund expenses as the labor is capitalized as part of the project rather than being expensed.

Historically, CAWCD has maintained ten vacant positions on average throughout a budget year due to normal market conditions. To reflect our history, CAWCD has increased the vacancy and salary savings equivalent adjustment to fifteen positions in the 2014 and 2015 budget.

Amortization and Depreciation

The permanent service right (PSR) represents the District's right to operate and maintain the CAP system. Amortization is \$23.0 million for 2013 through 2015 based on the preset amortization schedule.

Depreciation expense is anticipated to increase \$2.7 million in 2014 and another \$2.7 million in 2015 due to increased capital expenditures needed to maintain an aging infrastructure and additions to capital equipment, buildings and structures.

Interest Expense

Interest expense will be \$27.3 million in 2013, \$26.4 million in 2014 and \$25.4 in 2015 reflecting that the District is paying down its debt to the federal government for the repayment obligation.

Other Expenses

This category includes property and casualty insurance, licenses, fees, permits, accretion expense (for the decommissioning of NGS), Multi-Species Conservation Program (MSCP) fees, Hoover capacity charges, outside services, materials and supplies and other costs (travel, overhead allocation, etc.). Other expenses are anticipated to increase in 2014 by \$1.3 million and decrease in 2015 by \$0.7 million. Although the mix of items change from year to year, overall the costs for operational expenses remains fairly consistent.

CHANGE IN NET POSITION

As a result of the above items, net position is anticipated to increase \$2.5 million and \$4.7 million in 2012 and 2013, respectively.

<i>(Millions)</i>	2013 Projected	2014 Budget	2015 Budget	14 vs 13 incr/(decr)	15 vs 14 incr/(decr)
Revenues	\$ 256.4	\$ 313.3	\$ 317.2	\$ 56.9	\$ 3.9
Expenses	(251.4)	(264.2)	(277.5)	(12.8)	(13.3)
Change in net position	5.0	49.1	39.7	44.1	(9.4)
Net position at beginning of period	499.1	504.1	553.2	5.0	49.1
Net position at end of period	\$ 504.1	\$ 553.2	\$ 592.9	\$ 49.1	\$ 39.7



GENERAL FUND

(In Thousands)

	2011 Actuals	2012 Actuals	2013 Projected	2014 Budget	2015 Budget
Water Deliveries (acre-feet in thousands)	1,622.1	1,598.8	1,542.9	1,576.5	1,565.5
Operating Revenues					
Water operations & maintenance charges	\$152,958.0	\$146,117.4	\$156,960.1	\$182,101.3	\$195,535.6
Water service capital charges	14,311.2	12,524.5	11,167.9	43,074.2	15,382.6
Power & Basin Development Fund revenues	46,800.1	21,611.3	32,832.0	33,057.0	34,435.0
Reimbursements and other revenues	1,936.9	1,953.0	1,675.0	1,110.5	1,393.8
Total Operating Revenues	216,006.2	182,206.2	202,635.0	259,343.0	246,747.0
Operating Expenses					
Salaries and related costs	(51,139.4)	(52,615.1)	(54,185.7)	(56,021.5)	(57,697.4)
Pumping power	(88,996.3)	(91,568.3)	(94,259.0)	(101,866.5)	(111,569.8)
Transmission and capacity charges	(7,751.8)	(11,789.5)	(11,575.0)	(11,945.1)	(12,464.3)
Amortization of permanent service right	(27,896.6)	(26,518.2)	(23,017.8)	(23,017.8)	(23,017.8)
Depreciation	(12,820.5)	(15,494.1)	(17,308.6)	(20,011.0)	(22,936.6)
Other operating expenses					
Outside services	(10,856.7)	(13,687.1)	(15,869.0)	(16,068.9)	(15,444.3)
Materials and supplies	(6,133.5)	(6,799.4)	(6,643.0)	(7,165.9)	(7,172.1)
Overhead	5,041.9	4,956.5	5,764.6	5,706.1	6,279.0
Other expenses	(5,086.0)	(6,120.5)	(7,071.5)	(7,381.2)	(8,088.8)
Subtotal	(17,034.3)	(21,650.5)	(23,818.9)	(24,909.9)	(24,426.2)
Total Operating Expenses	(205,638.9)	(219,635.7)	(224,165.0)	(237,771.8)	(252,112.1)
Operating Income/(Loss)	10,367.3	(37,429.5)	(21,530.0)	21,571.2	(5,365.1)
Non-operating Revenues					
Property taxes					
General ad valorem tax	33,617.1	28,715.5	34,821.9	44,034.4	45,994.2
Water storage tax	22,483.4	19,109.8	17,396.2	17,036.5	17,989.5
Subtotal	56,100.5	47,825.3	52,218.1	61,070.9	63,983.7
Interest income and other revenues	9,220.0	6,887.9	1,502.0	(7,157.7)	6,428.5
Total Non-operating Revenues	65,320.5	54,713.2	53,720.1	53,913.2	70,412.2
Non-operating Expenses					
Interest expense and other expenses	(28,967.8)	(28,114.1)	(27,260.4)	(26,406.9)	(25,385.4)
Total Non-operating Expenses	(28,967.8)	(28,114.1)	(27,260.4)	(26,406.9)	(25,385.4)
Total Non-operating Revenues/(Loss)	36,352.7	26,599.1	26,459.7	27,506.3	45,026.8
Change in Net Position	46,720.0	(10,830.4)	4,929.7	49,077.5	39,661.7
Net Position at beginning of year	463,305.8	510,025.8	499,195.4	504,125.1	553,202.6
Net Position at end of year	\$510,025.8	\$499,195.4	\$504,125.1	\$553,202.6	\$592,864.3

UNDERGROUND STORAGE PROJECTS O&M
(INCLUDED IN GENERAL FUND)

	2011 Actuals	2012 Actuals	2013 Projected	2014 Budget	2015 Budget
Water Deliveries (acre-feet in thousands)	182.4	165.8	104.8	92.8	95.3
Revenues					
Reimbursements and other revenues	\$1,708.1	\$ 1,691.1	\$ 1,129.2	\$ 970.8	\$ 1,059.9
Total Revenues	1,708.1	1,691.1	1,129.2	970.8	1,059.9
Expenses					
Salaries and related costs	(118.1)	(201.4)	(193.8)	(333.9)	(343.9)
Other operating expenses					
Outside services	(312.7)	(523.9)	(967.0)	(224.0)	(224.0)
Materials and supplies	(4.4)	(31.8)	(48.3)	(85.6)	(85.6)
Other expenses	(372.8)	(480.5)	(820.4)	(754.4)	(761.3)
Subtotal	(690.0)	(1,036.2)	(1,835.7)	(1,064.0)	(1,070.9)
Total Expenses	(808.0)	(1,237.6)	(2,029.5)	(1,397.9)	(1,414.8)
Change in Net Position	900.0	453.5	(900.3)	(427.1)	(354.9)
Net Position at beginning of year	3,528.3	4,428.3	4,881.7	3,981.4	3,554.3
Net Position at end of year	\$4,428.3	\$ 4,881.7	\$ 3,981.4	\$ 3,554.3	\$ 3,199.4
Expense Summary					
Agua Fria	\$ (70.3)	\$ (35.7)	\$ (159.6)	\$ (167.2)	\$ (171.3)
Avra Valley	(2.2)	-	-	-	-
Hieroglyphic Mountains	(164.7)	(229.5)	(657.3)	(249.8)	(253.2)
Lower Santa Cruz	(267.5)	(310.8)	(205.3)	(279.4)	(280.8)
Pima Mine Road	(74.0)	(75.9)	(95.0)	(143.2)	(146.5)
Superstition Mountain	(176.4)	(217.3)	(711.3)	(296.1)	(297.3)
Tonopah	(52.9)	(368.4)	(201.0)	(262.2)	(265.7)
Total Expenses	\$ (808.0)	\$(1,237.6)	\$(2,029.5)	\$(1,397.9)	\$(1,414.8)

EXTRAORDINARY MAINTENANCE & OPERATING PROJECTS

(INCLUDED IN GENERAL FUND)

(In Thousands)

	2011 Actuals	2012 Actuals	2013 Projected	2014 Budget	2015 Budget
Expenses					
Salaries and related costs	\$ -	\$ (297.7)	\$ (329.4)	\$ (118.4)	\$ (80.0)
Other operating expenses					
Outside services	-	(1,497.9)	(2,755.4)	(1,000.0)	(13.0)
Materials and supplies	-	(9.2)	(0.6)	-	-
Other costs	-	(331.6)	(404.2)	(117.6)	(83.2)
Subtotal	-	(1,838.7)	(3,160.2)	(1,117.6)	(96.2)
Total Expenses	\$ -	\$ (2,136.4)	\$ (3,489.6)	\$ (1,236.0)	\$ (176.2)
Expense Summary					
EM-Bouse MP 27.5 Emergency	\$ -	\$ (1,867.4)	\$ (53.6)	\$ -	\$ -
EM-Centennial Wash Siphon Repair	-	-	(424.7)	(1,210.9)	-
EM-P4 Embankment and Road Issues	-	(269.0)	(3,011.3)	(25.1)	-
EM-Steel Discharge Lines & Manifold Recoa	-	-	-	-	(176.2)
Total Expenses	\$ -	\$ (2,136.4)	\$ (3,489.6)	\$ (1,236.0)	\$ (176.2)

CENTENNIAL WASH SIPHON REPAIR

STRATEGY:	Effectively Maintain CAP Assets	START DATE:	2 nd Quarter 2013
KEY RESULT AREA:	Project Reliability	COMPLETION DATE:	4 rd Quarter 2014
PROJECT #:	710033	TOTAL PROJECT COST:	\$1,635,600
		FUNDING SOURCE:	Fixed O&M

FINANCIAL IMPACT / COST ESTIMATE (IN \$000s):

Total	Pre-2014	2014	2015	2016	2017	2018	2019
\$ 1,635.6	\$ 424.7	\$ 1,210.9	\$ -	\$ -	\$ -	\$ -	\$ -

DESCRIPTION: The Centennial Wash Siphon has several pieces of distressed pipes; six of those have reached a level of distress, or have experienced a significant increase in the number of broken pre-stressing wires between the recent 2013 inspection and the previous 2006 inspection, that they need to be repaired. Of the six pipes identified, two have had active breaks reported via the newly installed Acoustic Fiber Optic (AFO) monitoring system since February 2013. When the pre-stressing wires in pre-stressed concrete pipe break, it reduces the strength of the pipe. The pipe pieces are designed to sustain applied internal forces as well as overburden loads. If enough wires break, the pipe will fail—the failure mode depends on the severity of the distress.

JUSTIFICATION: The siphon is critical to CAP’s ability to deliver its full annual allocation of Colorado River water. A failure of the siphon would preclude that ability.

OPERATING IMPACT: The next outage scheduled for this section of the aqueduct is January 2014 when the Jackrabbit Wash Siphon and the Hassayampa River Siphon will be dewatered for inspection and maintenance. It is best to take advantage of this outage so Engineering and Maintenance will not have to request another outage later in the year.

SOCIAL IMPACT: The maintenance performed on the Centennial Wash Siphon will lower flood risk for that portion of the CAP canal.

ENVIRONMENTAL IMPACT: The surrounding land will be returned to a desert landscape close to the condition prior to construction.



EM-P4 EMBANKMENT AND ROAD ISSUES

STRATEGY: Effectively Maintain CAP Assets
 KEY RESULT AREA: Project Reliability
 PROJECT #: 710031

START DATE: 1st Quarter 2012
 COMPLETION DATE: 4th Quarter 2014
 TOTAL PROJECT COST: \$3,305,400
 FUNDING SOURCE: "Big R"

FINANCIAL IMPACT / COST ESTIMATE (IN \$000s):

Total	Pre-2014	2014	2015	2016	2017	2018	2019
\$ 3,305.4	\$ 3,280.3	\$ 25.1	\$ -	\$ -	\$ -	\$ -	\$ -

DESCRIPTION: Pool 4 has several visible items of distress, particularly near milepost 50 in the center of a large fill section (fill is greater than 40 feet). The problems noted include:

1. Reduced width of the O&M roadway (approximately 4 feet narrower than design) due to erosion
2. Steep and eroded slopes on the embankment

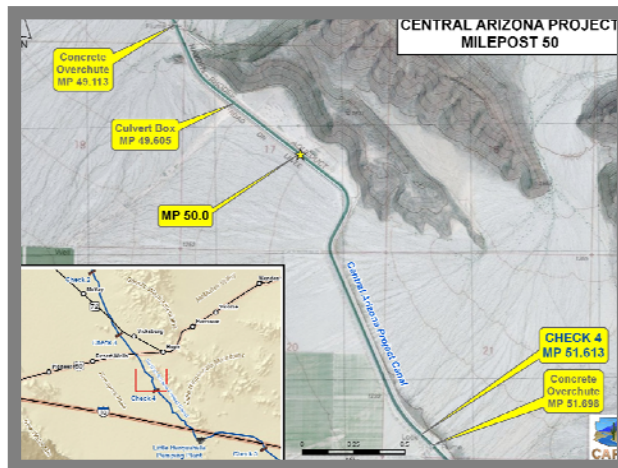
The design and costs include a detailed topographic survey of the embankment and extensive geotechnical investigation. The construction costs include allowances for widening the embankment up to 20 feet on either side to regain the design slope of 1.5 to 1. The fill will be benched in from the bottom in a tapered fashion from 20 feet at the base up to the added 4 feet required to provide the correct roadway width. Erosion control may be provided by utilizing Living Soil Membrane (LSM), a hydroseed system that applies a blend of native seed and fertilizer to the disturbed soil in an effort to establish plant growth.

JUSTIFICATION: The CAP system must be maintained to insure safe and reliable operation.

OPERATING IMPACT: The 2014 / 2015 budget includes costs for completion of the maintenance project which are included in the General Fund operating expenses. No ongoing operating expenses are expected.

SOCIAL IMPACT: The project will restore correct roadway width and eroded slopes on embankment.

ENVIRONMENTAL IMPACT: Surrounding land’s ecosystem will be similar to what is was prior to the project. Use of LSM to seed the embankment will accelerate natural desert growth.



STEEL DISCHARGE LINES & MANIFOLD RECOAT

STRATEGY:	Effectively Maintain CAP Assets	START DATE:	1 nd Quarter 2015
KEY RESULT AREA:	Project Reliability	COMPLETION DATE:	4 rd Quarter 2017
PROJECT #:	710034	TOTAL PROJECT COST:	\$5,330,600
		FUNDING SOURCE:	"Big R"

FINANCIAL IMPACT / COST ESTIMATE (IN \$000s):

Total	Pre-2014	2014	2015	2016	2017	2018	2019
\$ 5,330.6	\$ -	\$ -	\$ 176.2	\$ 2,465.8	\$ 2,688.6	\$ -	\$ -

DESCRIPTION: Project will provide a plan for CAP to hire a contractor to perform removal and replacement of existing coating on interior of steel discharge manifolds and lines at Mark Wilmer Pumping Plant. The contractor's work will be to provide all ventilation, safety systems and quality control to complete the work within the 60-day summer outage windows.

JUSTIFICATION: This has been an ongoing problem for 15 years. The internal coating continues to deteriorate and areas of pitting are beginning to occur. The lining is an integral component of protection for the pipeline.

OPERATING IMPACT: The project will be controlled by the scheduled outage of the plant. Returning the discharge manifold and lines to service at the end of construction cannot be delayed. The overall performance of the contractor will be insured by the quality assurance/quality control consultant hired by CAP to perform specification and plan review, and provide direct quality control/assurance during the construction. No ongoing operating expenses are expected.

SOCIAL IMPACT: Should the outage window be exceeded, significant impact to our power usage plan will result and impacts to our deliveries off the river. We will emphasize this in our contract and will include liquidated damages that reflect the economic risk to CAP should the outage window be exceeded.

ENVIRONMENTAL IMPACT: No change to the environment surrounding the discharge manifolds and lines is expected.

CENTRAL ARIZONA GROUNDWATER REPLENISHMENT DISTRICT ACCOUNT

In 1993, the Arizona legislature provided CAWCD with replenishment authority designed to help water providers and landowners comply with the State's Assured Water Supply Rules (AWS Rules) and to meet the objectives of the 1980 Groundwater Management Act. The replenishment authority is commonly referred to as the Central Arizona Groundwater Replenishment District (CAGRDR). The AWS Rules are designed to protect groundwater supplies within each Active Management Area (AMA) and to ensure that people purchasing or leasing subdivided land within an AMA have a water supply of adequate quality and quantity. Membership in the CAGRDR is voluntary. Any city, town, water company, subdivision or homeowner's association located in Pima, Pinal or Maricopa counties may join the CAGRDR. The CAGRDR is comprised of two types of members:

Member Service Areas (MSA) — The service area of a city, town or private water company, including any additions to or extensions of the service area

Member Lands (ML) — An individual subdivision with a defined legal description

CAGRDR members are located in the Pinal, Tucson and Phoenix AMAs established by Arizona's 1980 Groundwater Code (Code). AMAs are areas that have experienced significant groundwater depletion. The CAGRDR must recharge (e.g., replenish) the amount of groundwater used by its members that exceed the pumping limitations imposed by the AWS Rules. This category of water is referred to as excess groundwater.

PLAN OF OPERATION

CAGRDR is currently operating under a plan that was determined by the Arizona Department of Water Resources (ADWR) to be consistent with the management goals of Phoenix, Pinal and Tucson AMAs in October 2005. Statutes require CAGRDR to prepare and submit a new plan to ADWR every ten years. The current plan is effective through December 31, 2015.

CAGRDR has initiated the process of developing a new Plan of Operation to cover the years 2016 through 2025. The new plan must be submitted to ADWR for its review and approval by or before January 1, 2015.

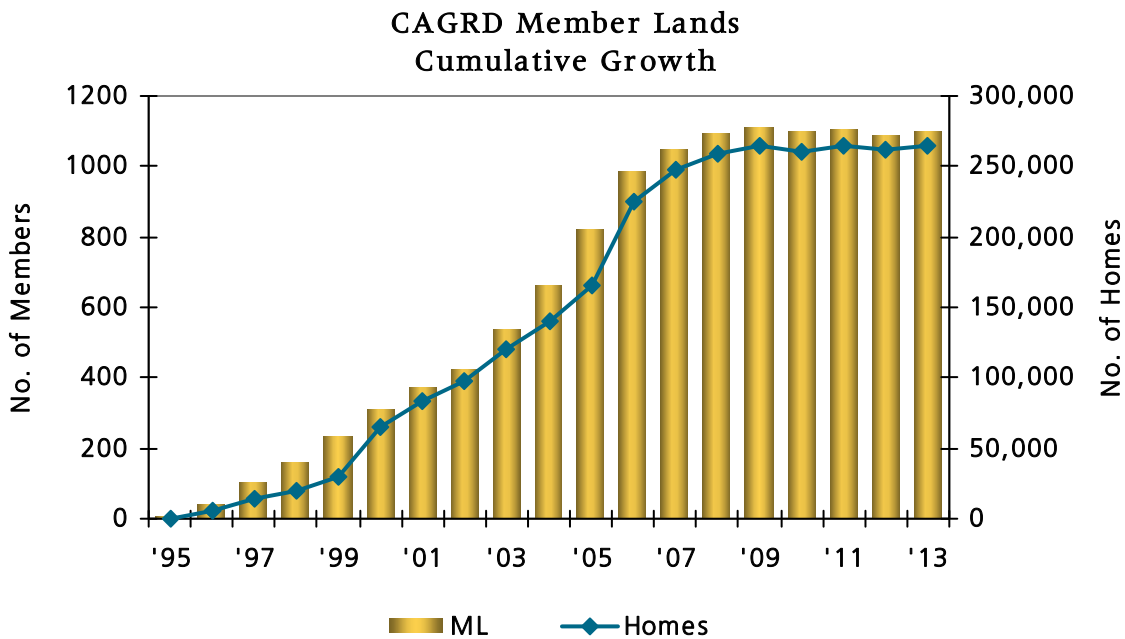
REPLENISHMENT OBLIGATION

The first members were enrolled in the CAGRDR in 1995. As shown on the following graph, the number of enrolled ML subdivisions will have grown to more than 1,100 through 2013 with approximately 265,000 homes falling within the ML boundaries. As indicated in the graph, ML enrollment has slowed considerably since 2008 due to the current economic environment.

For purposes of developing the budget, it was assumed there will be a modest increase in the rate of ML enrollments during 2014 and 2015. The number of enrolled MSAs currently stands at 22. As the number of MLs and MSAs grows, CAGR D’s replenishment obligation will also grow.

The CAGR D incurs three different kinds of replenishment obligations:

- Parcel replenishment obligations, which result from excess groundwater deliveries to individual parcels of ML
- Service area replenishment obligations, which result from excess groundwater deliveries within an MSA
- Contract replenishment obligations which will result from contracts executed between CAWCD and the water providers serving MSAs. Under such contracts, CAGR D would perform “Advance Replenishment” for the contracting MSA. Currently, CAGR D has only one active contract replenishment obligation agreement in place (City of Scottsdale)



REVENUES

The CAGR D was established with the requirement that all of the costs of the CAGR D be paid by its members. CAGR D has three primary sources of revenues: annual replenishment assessments, up-front fees and membership dues. In addition, CAGR D accrues interest on the revenue reserves established by these sources. CAGR D rates go into effect following the Board action to set rates at its June Board meeting.

Annual replenishment assessments are collected from CAGR D members based on the volume of excess groundwater they used in the previous year. In accordance with the existing policy, the Board adopts a replenishment assessment rate schedule after a public rate-setting process. CAGR D's assessment rates are established by individual AMAs and consist of the following four components: (a) water and replenishment, (b) administrative, (c) infrastructure and water rights, and (d) replenishment reserve. Each assessment component is specifically assigned to costs incurred by CAGR D.

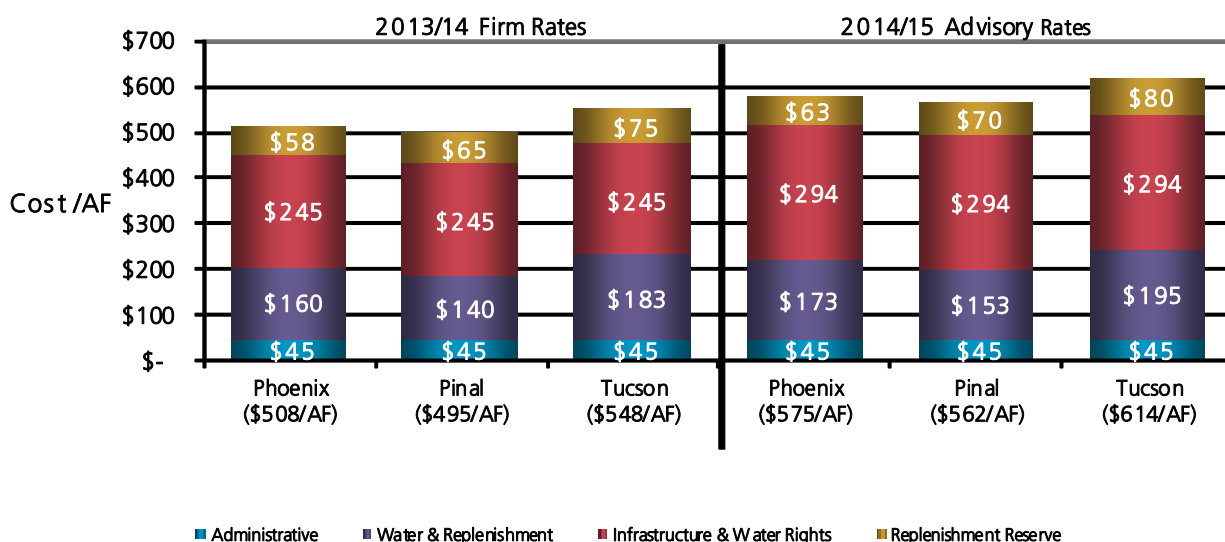
The water and replenishment component is designed to cover annual water and replenishment costs that will be incurred by CAGR D in meeting the replenishment obligations resulting from its members' actual use of excess groundwater. The administrative component pays for CAGR D's operating costs, including wages, benefits and overhead. A portion of the administrative component also supports the CAGR D conservation program adopted by the Board in 2006.

The infrastructure and water rights component provides a capital reserve fund to (a) purchase long-term rights to water as opportunities arise, and (b) construct additional infrastructure (e.g., replenishment facilities) as the need arises in the future. The replenishment reserve component is designed to cover water and replenishment costs associated with establishing and maintaining a replenishment reserve of long-term storage credits in each AMA, as required by statutes enacted in 2003.

Up-front fees are generally collected from CAGR D members before they begin using excess groundwater. These fees consist of (a) enrollment fees, (b) activation fees and (c) replenishment reserve fees. The fees are established by the Board and are published with the replenishment assessment rate schedule.

An enrollment fee is collected from applicants who propose to enroll a subdivision as an ML of the CAGR D. The fee is based on the number of housing units in the proposed subdivision and will be used in conjunction with the infrastructure and water rights component to purchase water rights and develop infrastructure. A small portion (\$2 per housing unit) of the ML enrollment fee also supports CAGR D's conservation program.

CAGR D Assessment Rates by AMA



MSAs also pay an enrollment fee; MSA enrollment fees currently are a flat fee of \$5,000 to cover the administration costs of enrolling the MSA in the CAGR. The MSA enrollment fee will be included in a cost of service study to be conducted in fourth quarter 2014 and first quarter 2015, and may be adjusted for future MSA Enrollments

Like ML enrollment fees, activation fees are collected on a per housing-unit basis and will be used to purchase water rights and develop infrastructure. However, activation fees are collected on behalf of both ML and MSA subdivisions after they are enrolled but before the subdivision homes are actually constructed.

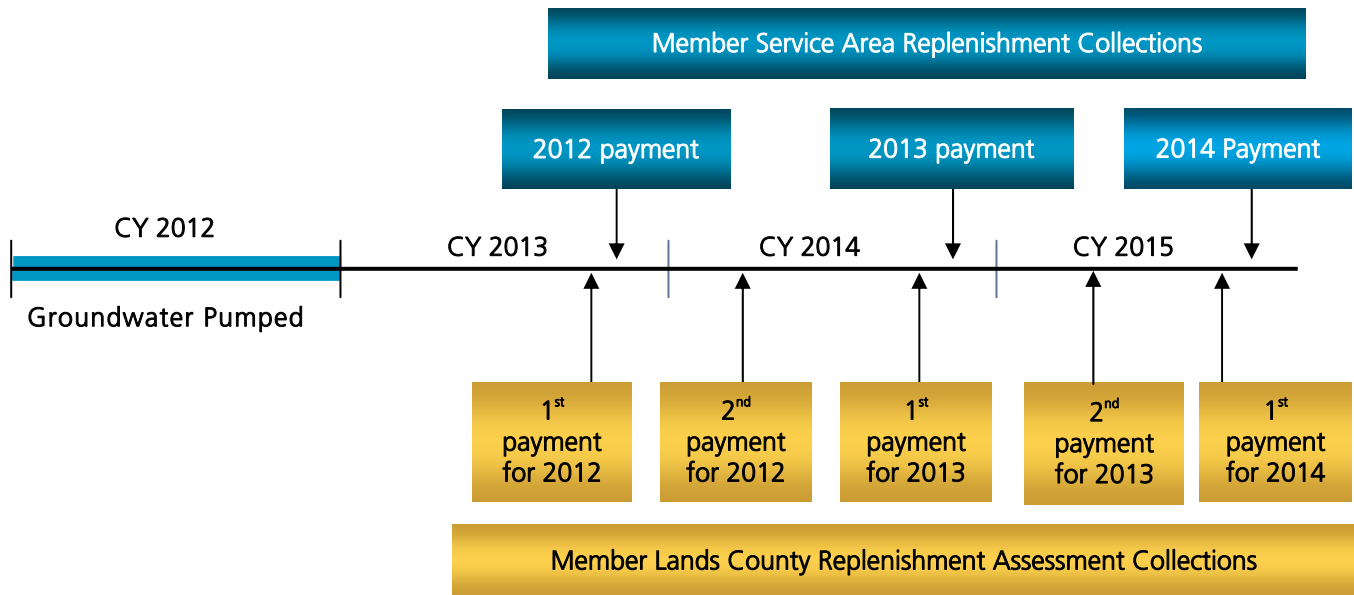
Replenishment reserve fees are used in conjunction with the replenishment reserve rate component to support CAGR's replenishment reserve program. For MLs, the replenishment reserve fee is collected along with the activation fee and is based on the subdivision's projected build-out excess groundwater demand. For MSAs, the replenishment reserve fee is collected with the annual replenishment fee and is based on the increase in excess groundwater delivered within the service area during the previous year.

Membership dues are the newest revenue source. As a result of state legislation passed in 2010, CAWCD has the authority to assess Annual Membership Dues on CAGR ML and MSAs. These dues apply to all members, even if they are not yet reporting excess groundwater use. Membership dues provide a reliable revenue source that can assist in establishing creditworthiness for potential bonding and funds to secure water supplies and related infrastructure.

EXPENSES

CAGR has ongoing operating expenses and costs related to administration, planning, membership enrollment, annual reporting and satisfaction of annual replenishment obligations. The largest expenses incurred by CAGR result from purchasing and recharging water to meet existing obligations and acquisition of water rights to insure satisfaction of future replenishment obligations. In addition, consulting services are required to support the long-term water rights acquisition program.

The CAGR replenishment assessment rates are established based on the actual volume of excess groundwater used by CAGR members in the previous year. CAGR has up to three years to actually replenish water, so the actual replenishment may lag as well and may be accomplished earlier or later than when collections are received. This point is illustrated on the following diagram using groundwater pumped in calendar year 2012.



CHANGE IN NET POSITION

Net position is anticipated to increase \$18.0 million in 2014 and \$19.4 million in 2015. This increase is primarily due to the continued generation of revenues and establishment of capital reserve funds to support the long-term water rights acquisition program identified in CAGR’s current Plan of Operation. In addition, CAGR is collecting revenues and accruing long-term storage credits in the establishment of its replenishment reserve, which also increases CAGR’s net position. In effect, CAGR is doing just what it should be doing; that is, accumulating revenue and storage credit reserves and building a portfolio of water rights so that it can meet all of its future replenishment obligations.

(Millions)	2013 Projected	2014 Budget	2015 Budget	14 vs 13 incr/(decr)	15 vs 14 incr/(decr)
Revenues	\$ 23.1	\$ 27.7	\$ 29.0	\$ 4.6	\$ 1.3
Expenses	(7.5)	(9.7)	(9.6)	(2.2)	0.1
Change in net assets	15.6	18.0	19.4	2.4	1.4
Net Position at beginning of period	63.8	79.4	97.4	15.6	18.0
Net Position at end of period	\$ 79.4	\$ 97.4	\$ 116.8	\$ 18.0	\$ 19.4

WATER SUPPLY PROGRAM

CAGR D's current Plan of Operation outlines a program that identifies a water supply portfolio including general time frames and volumes. In accordance with the plan, CAGR D has budgeted funds in 2014 and 2015 for the water supply program that can be used to meet its replenishment obligations in the long-term. CAGR D anticipates a NIA reallocation in 2014 following the Arizona Department of Water Resources (AWDR) recommendation and the Bureau of Reclamation (through the Secretary of the Interior's authority) acceptance of that recommendation.

CENTRAL ARIZONA GROUNDWATER REPLENISHMENT DISTRICT ACCOUNT

(In Thousands)

	2011 Actuals	2012 Actuals	2013 Projected	2014 Budget	2015 Budget
Operating Revenues					
Reimbursements & other operating revenues	\$ 15,245.7	\$ 18,053.8	\$ 23,128.9	\$ 27,557.7	\$ 28,877.2
Total operating revenues	15,245.7	18,053.8	23,128.9	27,557.7	28,877.2
Operating Expenses					
Salaries and related costs	(592.8)	(584.9)	(932.0)	(1,017.8)	(1,048.3)
Amortization	-	-	-	-	-
Depreciation	-	-	-	-	-
Other operating expenses					
Outside services	(482.6)	(367.0)	(754.3)	(1,244.0)	(1,144.8)
Overhead	(635.7)	(645.7)	(1,000.5)	(1,010.9)	(1,041.2)
Water for recharge	(3,433.1)	(4,536.5)	(4,846.1)	(6,438.8)	(6,347.4)
Amortization of water rights	-	-	-	-	-
Other expenses	(1.9)	(0.2)	(8.1)	(29.9)	(29.5)
Subtotal	(4,553.3)	(5,549.4)	(6,609.0)	(8,723.6)	(8,562.9)
Total operating expenses	(5,146.1)	(6,134.3)	(7,541.0)	(9,741.4)	(9,611.2)
Operating income/(loss)	10,099.6	11,919.5	15,587.9	17,816.3	19,266.0
Nonoperating revenues (expenses)					
Interest income	40.7	92.5	101.4	107.0	116.0
Interest expense	-	-	-	-	-
Non-operating income/(loss)	40.7	92.5	101.4	107.0	116.0
Change in Net Position	10,140.3	12,012.0	15,689.3	17,923.3	19,382.0
Net Position at beginning of period	41,641.6	51,781.9	63,793.9	79,483.2	97,406.5
Net Position at end of period	\$ 51,781.9	\$ 63,793.9	\$ 79,483.2	\$ 97,406.5	\$ 116,788.5

CENTRAL ARIZONA GROUNDWATER REPLENISHMENT DISTRICT ACCOUNT
 REPLENISHMENT OBLIGATION YEAR & CORRESPONDING PURCHASED WATER
 (Acre-Feet)

	PUMPING			
	2011	2012	2013	2014
REPLENISHMENT OBLIGATIONS (Acre-Feet Pumped by CAGR Members)				
Replenishment Obligation by AMA				
Phoenix AMA	30,474	31,387	32,477	33,200
Pinal AMA	246	318	418	441
Tucson AMA	3,515	3,022	3,199	3,276
Total Replenishment Obligation	34,235	34,727	36,094	36,917
Contract Replenishment Obligation by AMA				
East Phoenix AMA - Scottsdale	512	600	600	600
Tucson AMA - Metro Water	-	-	-	-
Total Contract Replenishment Obligations	512	600	600	600

	WATER PURCHASES					Total
	2012	2013	2014	2015	2016	

WATER PURCHASES & CREDIT TRANSFERS TO MEET REPLENISHMENT OBLIGATIONS
 (Acre-Feet to Cover Pumping by Members)

Replenishment Obligation (Notes)

2011 Pumping	-	35,465	-	-	-	35,465
2012 Pumping	-	7,567	27,356	-	-	34,923
2013 Pumping	-	-	10,435	25,908	-	36,343
2014 Pumping	-	-	-	6,784	28,649	35,433
	-	43,032	37,791	32,692	28,649	142,164

Contract Replenishment Obligation

2011 Pumping	512	-	-	-	-	512
2012 Pumping	-	600	-	-	-	600
2013 Pumping	-	-	600	-	-	600
2014 Pumping	-	-	-	600	-	600
	512	600	600	600	-	2,312

Notes:

AMA = Active Management Area.

Purchases will exceed acre-feet pumped generally by about 1% due to losses that occur during recharge.

CENTRAL ARIZONA GROUNDWATER REPLENISHMENT DISTRICT ACCOUNT
REPLENISHMENT OBLIGATION YEAR & CORRESPONDING PURCHASED WATER
(Acre-Feet)

	2012	2013	2014	2015	2016	TOTALS
PURCHASED WATER and CREDIT TRANSFERS						
(Acre-Feet To Cover Pumping by Members)						
Replenishment Obligation Purchases by Year by AMA						
Phoenix AMA						
2011 Pumping	-	31,236		-	-	31,236
2012 Pumping	-	7,155	24,397	-	-	31,552
2013 Pumping	-	-	9,562	23,132	-	32,694
2014 Pumping	-	-	-	6,740	26,641	33,381
	-	38,391	33,959	29,872	26,641	128,863
Pinal AMA						
2011 Pumping	-	246	-	-	-	246
2012 Pumping	-	-	318	-	-	318
2013 Pumping	-	-	34	384	-	418
2014 Pumping	-	-	-	44	397	441
	-	246	352	428	397	1,423
Tucson AMA						
2011 Pumping	-	3,983	-	-	-	3,983
2012 Pumping	-	412	2,641	-	-	3,053
2013 Pumping	-	-	839	2,392	-	3,231
2014 Pumping	-	-	-	-	1,611	1,611
	-	4,395	3,480	2,392	1,611	11,878
Total Replenishment Obligation	-	43,032	37,791	32,692	28,649	142,164
Contract Replenishment Obligation by AMA						
East Phoenix AMA - Scottsdale						
2011 Pumping	512	-	-	-	-	512
2012 Pumping	-	600	-	-	-	600
2013 Pumping	-	-	600	-	-	600
2014 Pumping	-	-	-	600	-	600
	512	600	600	600	-	2,312
Tucson AMA - Metro Water						
2011 Pumping	-	-	-	-	-	-
2012 Pumping	-	-	-	-	-	-
2013 Pumping	-	-	-	-	-	-
2014 Pumping	-	-	-	-	-	-
	-	-	-	-	-	-
Total Contract Replenishment Obligation	512	600	600	600	-	2,312

CENTRAL ARIZONA GROUNDWATER REPLENISHMENT DISTRICT ACCOUNT

RESERVE BALANCES

Cash Basis *(In Thousands)*

	2011 Actuals	2012 Actuals	2013 Projected	2014 Budget	2015 Budget
Water and Replenishment					
Beginning Fund Balance	\$ 3,613.5	\$ 3,908.1	\$ 4,699.2	\$ 4,091.3	\$ 4,827.7
Revenue	3,904.9	4,489.4	5,344.3	6,136.9	6,476.9
Water purchased	(3,616.8)	(3,705.6)	(5,961.6)	(5,411.9)	(5,810.4)
Interest income	6.5	7.3	9.4	11.4	12.2
Ending Fund Balance	<u>\$ 3,908.1</u>	<u>\$ 4,699.2</u>	<u>\$ 4,091.3</u>	<u>\$ 4,827.7</u>	<u>\$ 5,506.4</u>
Replenishment Reserve					
Beginning Fund Balance	\$ 832.9	\$ 346.3	\$ 1,297.5	\$ 2,796.7	\$ 3,099.3
Revenue	1,322.5	1,730.1	2,011.0	2,213.5	2,341.9
Water purchased	(1,794.0)	(781.0)	(516.2)	(1,901.7)	(2,578.1)
Credits	(16.4)	(0.0)	(0.0)	(20.8)	(22.3)
Interest income	1.3	2.1	4.4	11.6	11.6
Ending Fund Balance	<u>\$ 346.3</u>	<u>\$ 1,297.5</u>	<u>\$ 2,796.7</u>	<u>\$ 3,099.3</u>	<u>\$ 2,852.4</u>
Infrastructure and Water Rights					
Beginning Fund Balance	\$ 17,133.5	\$ 23,453.6	\$ 32,448.0	\$ 43,177.4	\$ 44,988.9
Revenue	6,568.4	9,575.0	11,964.0	15,888.6	174,970.1
Water rights purchases	-	-	-	(5,510.0)	(10,502.2)
Long term storage credits	(340.4)	(308.2)	(83.5)	(7,007.5)	(12,393.0)
Inventory credit transfer reimb	372.1	-	-	-	-
Technical studies expense	(311.2)	(335.7)	(965.0)	(1,941.4)	(1,865.0)
Interest income	31.2	63.3	83.9	81.8	90.0
Ending Fund Balance	<u>\$ 23,453.6</u>	<u>\$ 32,448.0</u>	<u>\$ 43,177.4</u>	<u>\$ 44,988.9</u>	<u>\$ 38,288.8</u>
Administrative					
Beginning Fund Balance	\$ 231.1	\$ 259.0	\$ 476.4	\$ 325.6	\$ 614.4
Revenue	1,268.9	1,394.4	1,575.8	1,632.9	1,678.1
Operating expenses	(1,241.6)	(1,178.5)	(1,730.0)	(1,346.3)	(1,507.3)
Interest income	0.6	1.5	3.4	2.2	2.3
Ending Fund Balance	<u>\$ 259.0</u>	<u>\$ 476.4</u>	<u>\$ 325.6</u>	<u>\$ 614.4</u>	<u>\$ 787.6</u>

CENTRAL ARIZONA GROUNDWATER REPLENISHMENT DISTRICT ACCOUNT
 WATER AND REPLENISHMENT RESERVE TRENDS BY AMA
 Cash Basis (In Thousands)

	2011 Actuals	2012 Actuals	2013 Projected	2014 Budget	2015 Budget
Phoenix AMA					
Beginning Fund Balance	\$ 3,244.3	\$ 3,362.0	\$ 4,131.0	\$ 3,599.2	\$ 4,553.7
Revenue	3,456.7	4,048.6	4,773.8	5,469.0	5,774.5
Water purchased	(3,344.8)	(3,285.9)	(5,313.8)	(4,522.7)	(4,964.9)
Interest income	5.8	6.3	8.3	8.1	8.3
Ending Balance	<u>\$ 3,362.0</u>	<u>\$ 4,131.0</u>	<u>\$ 3,599.3</u>	<u>\$ 4,553.7</u>	<u>\$ 5,371.6</u>
Pinal AMA					
Beginning Fund Balance	\$ 27.9	\$ 23.2	\$ 27.3	\$ 44.6	\$ 77.4
Revenue	26.0	29.5	43.3	61.6	67.5
Water purchased	(30.7)	(25.4)	(26.1)	(30.0)	(32.6)
Interest income	-	-	0.1	1.2	1.2
Ending Balance	<u>\$ 23.2</u>	<u>\$ 27.3</u>	<u>\$ 44.6</u>	<u>\$ 77.4</u>	<u>\$ 113.5</u>
Tucson AMA					
Beginning Fund Balance	\$ 341.3	\$ 522.9	\$ 540.9	\$ 447.4	\$ 196.6
Revenue	422.2	411.3	527.2	606.3	634.9
Water purchased	(241.3)	(394.3)	(621.7)	(859.2)	(812.9)
Interest income	0.7	1.0	1.0	2.1	2.7
Ending Balance	<u>\$ 522.9</u>	<u>\$ 540.9</u>	<u>\$ 447.4</u>	<u>\$ 196.6</u>	<u>\$ 21.3</u>
Total - All AMAs					
Beginning Fund Balance	\$ 3,613.5	\$ 3,908.1	\$ 4,699.2	\$ 4,091.3	\$ 4,827.7
Revenue	3,904.9	4,489.4	5,344.3	6,136.9	6,476.9
Water purchased	(3,616.8)	(3,705.6)	(5,961.6)	(5,411.9)	(5,810.4)
Interest income	6.5	7.3	9.4	11.4	12.2
Ending Balance	<u>\$ 3,908.1</u>	<u>\$ 4,699.2</u>	<u>\$ 4,091.3</u>	<u>\$ 4,827.7</u>	<u>\$ 5,506.4</u>

CENTRAL ARIZONA GROUNDWATER REPLENISHMENT DISTRICT ACCOUNT
 REPLENISHMENT RESERVE TRENDS BY AMA
 Cash Basis *(In Thousands)*

	2011 Actuals	2012 Actuals	2013 Projected	2014 Budget	2015 Budget
Phoenix AMA					
Beginning Fund Balance	\$ 459.7	\$ 203.7	\$ 933.4	\$ 2,472.6	\$ 2,802.7
Revenue	1,108.1	1,509.1	1,750.1	1,952.5	2,069.0
Water purchased	(1,365.1)	(781.0)	(214.1)	(1,630.2)	(2,134.2)
Credits	-	-	-	-	-
Interest income	1.0	1.6	3.2	7.8	7.9
Ending Balance	<u>\$ 203.7</u>	<u>\$ 933.4</u>	<u>\$ 2,472.6</u>	<u>\$ 2,802.7</u>	<u>\$ 2,745.4</u>
Pinal AMA					
Beginning Fund Balance	\$ 1.0	\$ 1.3	\$ 15.2	\$ 76.1	\$ 89.8
Revenue	16.7	13.8	60.6	32.5	35.3
Water purchased	-	-	-	-	-
Credits	(16.4)	-	-	(20.8)	(22.3)
Interest income	-	0.1	0.3	2.0	1.4
Ending Balance	<u>\$ 1.3</u>	<u>\$ 15.2</u>	<u>\$ 76.1</u>	<u>\$ 89.8</u>	<u>\$ 104.2</u>
Tucson AMA					
Beginning Fund Balance	\$ 372.2	\$ 141.3	\$ 348.9	\$ 248.0	\$ 206.8
Revenue	197.6	207.1	200.3	228.5	237.6
Water purchased	(428.9)	-	(302.1)	(271.5)	(443.9)
Credits	-	-	-	-	-
Interest income	0.4	0.5	0.9	1.8	2.3
Ending Balance	<u>\$ 141.3</u>	<u>\$ 348.9</u>	<u>\$ 248.0</u>	<u>\$ 206.8</u>	<u>\$ 2.8</u>
Total - All AMAs					
Beginning Fund Balance	\$ 832.9	\$ 346.3	\$ 1,297.5	\$ 2,796.7	\$ 3,099.3
Revenue	1,322.4	1,730.0	2,011.0	2,213.5	2,341.9
Water purchased	(1,794.0)	(781.0)	(516.2)	(1,091.7)	(2,578.1)
Credits	(16.4)	-	-	(20.8)	(22.3)
Interest income	1.4	2.2	4.4	11.6	11.6
Ending Balance	<u>\$ 346.3</u>	<u>\$ 1,297.5</u>	<u>\$ 2,796.7</u>	<u>\$ 3,099.3</u>	<u>\$ 2,852.4</u>

SUPPLEMENTAL WATER ACCOUNT

The Supplemental Water account (previously known as the Ak-Chin Account) was established as part of a settlement of water right claims by the Ak-Chin Indian Tribe against the federal government. In August 1985, the Board approved participation in the fund which was established pursuant to Section §48-3715.01 of the Arizona Revised Statutes (ARS). In September 1985, the trust fund was established with the federal government and CAWCD each contributing \$1,000,000 to the fund.

The purpose of the trust fund was for acquisition or conservation of water for use in central Arizona to supplement CAP water supplies in years when water supplies from the CAP are insufficient to meet the delivery schedules of non-Indian municipal and industrial (M&I) users.

The District is empowered to direct the expenditure of the trust funds in accordance with the provisions of a trust agreement. Funds held in this account will remain until the District needs to acquire or conserve water to supplement Colorado River supplies as established in the specific legislation. The following table summarizes revenues, expenses and changes in net position associated with the Supplemental Water account.

<i>(Thousands)</i>	2011 Actual	2012 Actual	2013 Projected	2014 Budget	2015 Budget
Operating Expenses					
Other expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Operating Income (Loss)	-	-	-	-	-
Non-Operating Revenues/(Expenses)					
Interest income	248.1	181.4	106.1	150.0	152.0
Non-operating Revenues	248.1	181.4	106.1	150.0	152.0
Change in net position	248.1	181.4	106.1	150.0	152.0
Net Position at beginning of period	7,416.9	7,665.0	7,846.4	7,952.5	8,102.5
Net Position at end of period	\$ 7,665.0	\$ 7,846.4	\$ 7,952.5	\$ 8,102.5	\$ 8,254.5



CAPTIVE INSURANCE FUND

A captive insurance company is a closely-held insurance company whose insurance business is primarily supplied by and controlled by its owners. The CAWCD Insurance Company, Inc. ("Captive"), is a tax exempt wholly-owned corporation formed in 2003 for the purposes of self-insuring the lower layers of CAWCD's property and casualty insurance. Rising premium costs and deductible levels experienced in the traditional insurance market, plus the relatively high value of the District's infrastructure and its geographic dispersion, resulted in the decision to form the Captive. The Captive insures the first \$2 million of the District's potential future losses with the balance of the coverage requirements addressed through traditional reinsurance.

In 2012, the medical insurance program was moved from being managed within the General Fund to being managed from the Captive Fund. Although the District has been self-insured for several years, this change allows the Captive Fund to oversee virtually all of the District's insurance programs.

Because of the separate and unique business purpose of the Captive and the requirements for stand-alone reporting, CAWCD chose to account for the Captive in a separate fund.

All operating revenues of the Captive come from the General Fund as premiums and fees. Non-operating revenues (e.g., investment income) account for the interest earned on the capital contributions, loss reserves and revenues that have not been used for operating expenses.

Expenses are composed of underwriting expenses (e.g., losses paid, provision for future claims) and general and administrative expenses (e.g., management fee, actuarial, legal, and banking and audit fees).

By statute, the state of Hawaii, where the Captive is incorporated and licensed to do business, requires a captive to have a minimum reserve of \$250,000 plus an amount actuarially determined for prior and future losses. The reinsurers currently require CAWCD to maintain a \$2 million reserve, which is part of the \$10 million Contingency Reserve in the strategic reserves.

CAPTIVE INSURANCE FUND
(In Thousands)

	2011 Actuals	2012 Actuals	2013 Projected	2014 Budget	2015 Budget
Operating Revenues					
Reimbursements and other operating revenues	\$ 1,245.7	\$ 7,233.6	\$ 7,143.9	\$ 7,735.0	\$ 7,933.4
Total Operating Revenues	1,245.7	7,233.6	7,143.9	7,735.0	7,933.4
Operating Expenses					
Other operating expenses					
Outside services	(152.6)	(220.3)	(168.7)	(193.1)	(190.1)
Other expenses	(326.3)	(6,376.5)	(6,384.2)	(7,186.3)	(7,618.3)
Total Operating Expenses	(478.9)	(6,596.8)	(6,552.9)	(7,379.4)	(7,808.4)
Net Operating Income/(Loss)	766.8	636.8	591.0	355.6	125.0
Non-operating Revenues/(Expenses)					
Interest and other income	2,005.4	12.1	11.7	12.0	12.0
Net Non-operating Income (Loss)	2,005.4	12.1	11.7	12.0	12.0
Change in Net Position	2,772.2	648.9	602.7	367.6	137.0
Net Position as beginning of period	1,141.4	3,913.6	4,562.5	5,165.2	5,532.8
Net Position at end of period	\$ 3,913.6	\$ 4,562.5	\$ 5,165.2	\$ 5,532.8	\$ 5,669.8

CAPITAL BUDGET

The Central Arizona Project (CAP) capital budget is comprised of the Capital Improvement Program (CIP) and capital equipment replacements and additions. The capital projects and equipment included in the capital budget are designed to support CAP's Integrated Strategic Plan. CAP is committed to a triple bottom line philosophy that incorporates: (1) environmental considerations, (2) social responsibility including safe, secure workforce conditions, and (3) financial impact. Examples of action plans within the Integrated Strategic Plan objectives used in the formation of the capital budget are listed below.

Finance

- Maintain a long-term CIP consistent with ensuring system reliability, including major equipment replacement and rehabilitation.
- Develop a strategy to maintain stable and predictable rates, including establishing appropriate reserves, a rate-setting methodology and a rate stabilization mechanism to be used during a shortage.

Project Reliability

- Commit to continued environmental improvement in the acquisition of environmentally-friendly vehicles and increasing facilities' energy efficiencies.
- Protect and secure CAP's Information Technology (IT) assets and information.

Power

- Pursue partnership arrangements for maintaining CAP transmission assets to reduce CAP water delivery costs.
- Pursue strategic partnerships to enhance CAP transmission reliability and improve access to alternative generation resources.

The six-year capital budget covers the year 2014 through 2019. The Board of Directors (Board) is asked to approve capital expenditures for 2014 and 2015. Capital equipment and projects shown after 2015 are for advisory purposes to inform the Board and constituents of future capital budget

This document includes:

- A description of the capital budget process and the role of the Project Steering Committee (PSC).
- A summary of capital equipment and CIP projects.
- A description of each CIP project, justification, total project cost, funding source, operating impact, the strategic issue and key result area (KRA) that the project will support.

CAPITAL BUDGET PROCESS

CAPITAL EQUIPMENT

CAP cost centers begin the capital budget process by identifying specific capital equipment needs for the 2014 / 2015 budget. Included with their request is a business rationale to justify the equipment purchase and a review of alternatives to acquiring the item. For equipment that exceeds \$100,000, a business justification analysis is performed and a recommendation is provided to the Project Steering Committee (PSC) for inclusion in the budget. For the fleet vehicle budget, a separate analysis is performed to determine if vehicles are being utilized per CAP's fleet vehicle policy and to evaluate the need for additional or replacement vehicles. The guidelines established by this policy address the acquisition, assignment, pooling, replacement and disposal of fleet vehicles.

For equipment shown during the 2016 through 2019 planning period, CAP utilizes the long-range financial plan (LRFP) to identify potential capital equipment that may require funding during the planning horizon. The LRFP is developed by the Finance Department in conjunction with other key staff within CAP.

CAPITAL IMPROVEMENT PROGRAM (CIP)

As previously mentioned, the CIP must support CAP's Integrated Strategic Plan. A detailed list of projects are included in this section.

Advisory Projects Post-2015

The CIP projects listed as advisory projects post-2015 are a combination of projects that are scheduled to begin after 2015 and projects that are still in the evaluation stage within the PSC approval process. Based on proper justification, funding and available resources, these projects may be approved and implemented out-of-budget within the capital budget guidelines.

BIENNIAL BUDGETING

In the event a new capital spending requirement develops in the off-budget year, it can proceed only if the PSC process is followed and is within the Board-approved capital budget limit (refer to pages 4-5 and 4-6 in the Financial Planning section). The PSC and management may re-prioritize existing projects in order to accommodate the new project from a budget and resource perspective. If the new project will cause the General Manager (GM) to exceed the spending authority approved by the Board, then Board approval is required.

PROJECT STEERING COMMITTEE (PSC) PROCESS

CAP has established a policy to facilitate cost-effective, consistent and objective project planning, approval, implementation and completion. To facilitate this, the PSC is comprised of a cross-functional management team that has been established to evaluate, prioritize and oversee large projects. A Project Management Office (PMO) in Engineering and IT has been established to manage all projects regardless of the size and to facilitate communication between project managers and the PSC.

The PSC review and approval process consists of four phases: Concept, Assessment, Planning and Implementation. Each phase of the process entails the development of certain project information, including (1) analysis of alternatives, (2) justification, (3) cost and schedule, (4) anticipated savings, if applicable, (5) resource availability, and (6) impact on ongoing operating expenses. Once approved by the PSC, the project is included in the budget.

For a project to be approved by the PSC, it must support the Integrated Strategic Plan. In addition, it must have sufficient business rationale and merit. Compelling reasons or drivers for proceeding with a CIP project include having an adequate return on investment, health and safety issues, system reliability, capacity requirements and maintenance engineering strategies.

PROJECT STEERING COMMITTEE (PSC) OBJECTIVES

Provide overall project governance

Ensure consistency with CAP's business strategies and system architecture

Evaluate proposed projects, review possible alternatives and approve or deny the project

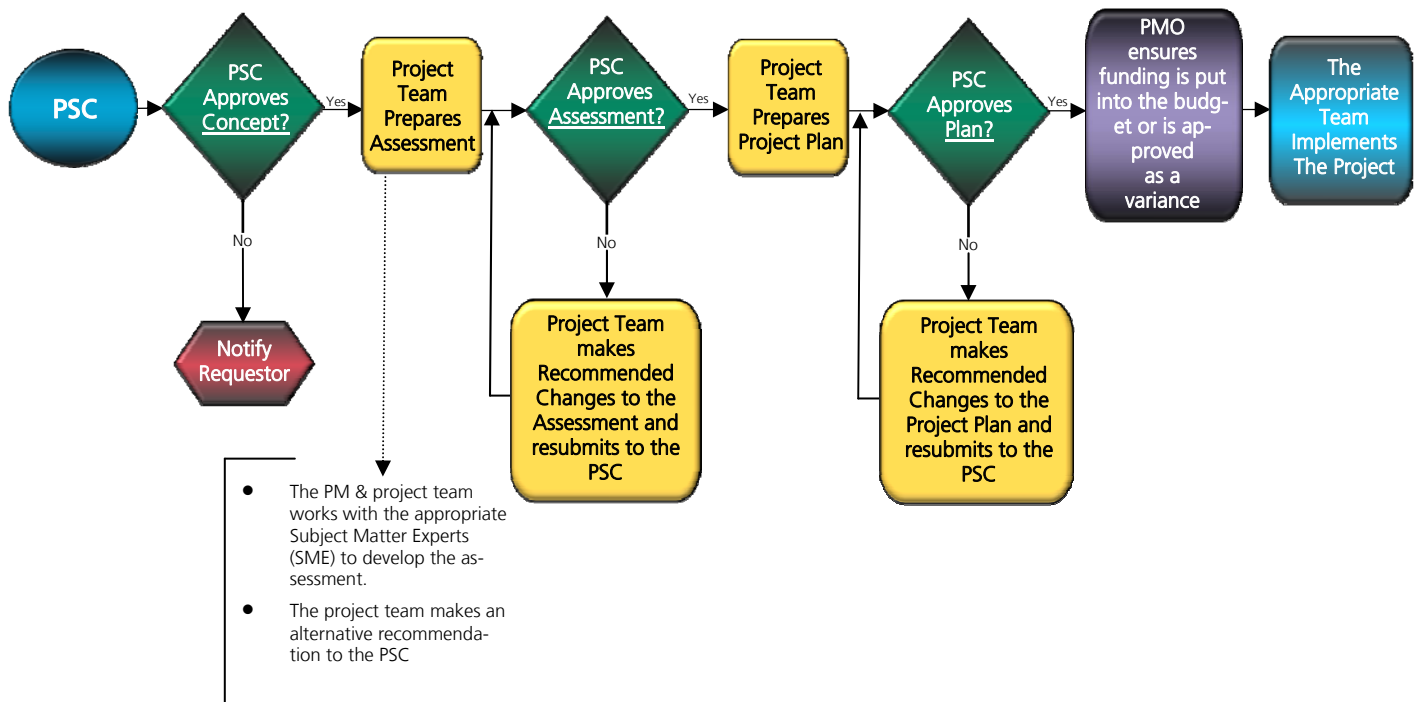
Authorize performing work out-of-budget or delaying work until the next budget cycle

Maintain a current list of proposed and approved projects (Official Project List)

Monitor and provide oversight and feedback to the project team or Project Management Offices (PMO) for these projects

Prioritize PSC projects and other projects, as necessary, with advice from the applicable PMO and subject matter experts

PROJECT STEERING COMMITTEE -- PROCESS



PSC CONTROLS

The PMOs manages the implementation phase. Projects with a large variance in schedule or cost from the original plan are required to return to the PSC for review purposes.

Review Guidelines:

Spending threshold - Lesser of:

- The first time the budget is exceeded...\$1M or 30%
- The second time.....\$500K or 15%
- The third time.....\$500K or 10%
- Subsequent variances of 10% or any change comes back to PSC if over \$250k

Schedule change - Lesser of:

- 6 months of schedule slip
- Delays move the project into a previously unbudgeted year

PSC PROCESS AND THE BUDGET

Just prior to the beginning of the budget process, typically in April of odd years, the PSC compiles all of the approved project plans for ongoing capital and extraordinary maintenance projects as well as new projects that have been approved since the last budget was prepared. As a final step before creation of the budget, the PSC reviews the aggregate levels of critical resources such as project managers and construction inspectors and may make necessary adjustments to individual project schedules or other assumptions in order to balance resources and reduce risk. Resource balancing also occurs in a more indirect way during the budget implementation period through management of the overall budget, the exercise of PSC controls on individual projects described above, changes in project schedules that occur over time, the introduction of new projects and/or the cancellation of planned projects.

FUNDING & EXPENDITURES

FUNDING

CAP funds the capital budget on a pay-as-you-go basis from a major repair and replacement (“Big R”) rate component, which is included in the Fixed Operation, Maintenance and Replacement (OM&R) water rate. CAP’s strategy for reserve targets anticipates fluctuation in annual operating and capital expenditures and also maintains an allowance in the event of extraordinary emergency repairs. The “Big R” rate component is designed to reduce major fluctuations in the capital portion of CAP’s annual rates. Significant variability in annual capital expenditures may temporarily impact CAP strategic reserves. During periods of increased capital expenditures, strategic reserves will be used to cover any variance between the established pre-set rates and the actual expenditures eliminating the risk of rate shock.

Certain capital projects are not included in “Big R”. Recharge projects are funded from property taxes less recharge capital charges received. Central Arizona Groundwater Replenishment District (CAGR) may also have capital projects that are funded from appropriate CAGR sources. Funding sources are indicated for each CIP project.

BUDGET

Total expenditures for 2011 through 2015 are shown below. The CIP summary and capital equipment summary are included on the following pages.

CAPITAL SPENDING BUDGET					
<i>(Millions)</i>	2011	2012	2013	2014	2015
Capital Improvement Program	\$ 30.0	\$ 31.5	\$ 24.3	\$ 33.6	\$ 43.2
Capital Equipment	1.4	3.0	3.1	7.3	3.4
	\$ 31.4	\$ 34.5	\$ 27.4	\$ 40.9	\$ 46.6



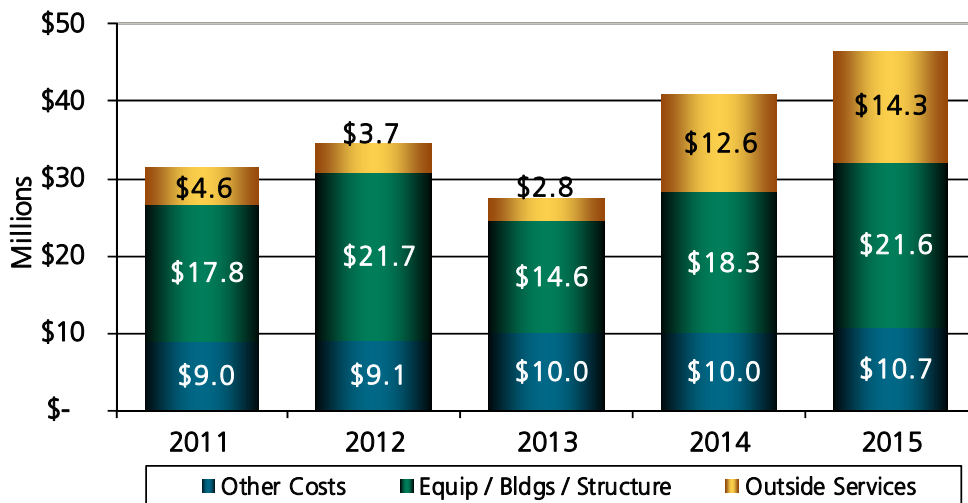
Inside Mark Wilmer Pumping Plant

CAPITAL BUDGET SUMMARY

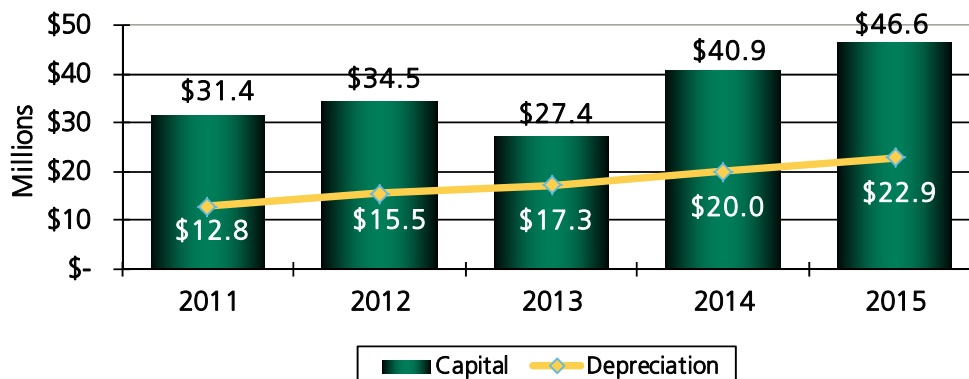
(In Thousands)

	2011 Actuals	2012 Actuals	2013 Projected	2014 Budget	2015 Budget
Expenditures					
Salaries and related costs	\$ (4,111.4)	\$ (3,931.4)	\$ (4,495.0)	\$ (4,727.1)	\$ (5,273.4)
Equipment, buildings, and structures	(17,774.3)	(21,706.2)	(14,620.0)	(18,277.2)	(21,556.3)
Other expenses					
Outside services	(4,625.1)	(3,732.5)	(2,763.9)	(12,637.2)	(14,325.9)
Materials and supplies	(306.8)	(670.3)	(449.1)	(440.5)	(123.9)
Other expenses	(4,532.2)	(4,482.3)	(5,022.7)	(4,792.1)	(5,354.6)
Subtotal	(9,464.1)	(8,885.1)	(8,235.7)	(17,869.8)	(19,804.4)
Total capital	\$ (31,349.8)	\$ (34,522.7)	\$ (27,350.7)	\$ (40,874.1)	\$ (46,634.1)

Capital Expenditures



Comparison of Capital Expenditures and Depreciation



CAPITAL BUDGET SUMMARY

(In Thousands)

	See Page	Total Project Cost	Pre-2014	2014	2015
Capital Improvement Program					
Americans with Disabilities Act (ADA) requirements	6-11	\$ 614.0	\$ -	\$ 517.4	\$ 96.6
Annunciator panel replacement at pumping plants	6-12	3,889.3	2,373.0	1,093.2	423.1
APS transmission line / Hassayampa tap connection	6-13	50,468.1	4,180.6	7,328.0	7,868.9
As-Builts pumping plants phase 2	6-14	17,593.2	14,640.6	1,608.4	1,344.2
Backup power system replacements	6-15	6,197.6	-	190.0	1,494.0
Bridge at Pima Mine Road	6-16	1,162.0	135.4	969.5	57.1
CADD vaulting system	6-17	909.6	-	440.2	469.4
Checks and turnouts replacement	6-18	2,717.7	2,083.2	634.5	-
Chiller replacements at pumping plants	6-19	5,093.8	743.0	1,833.0	2,258.4
Chlorination system replacement at plants	6-20	1,650.4	-	-	163.4
Communication cable replacement phase 4	6-21	5,732.1	5,689.3	42.8	-
Condition-based monitoring	6-22	5,849.9	984.6	2,189.0	2,199.3
Discharge valve replacement at pumping plants	6-23	5,935.6	-	3,475.0	2,421.1
Electromechanical (E/M) relays replacement pilot	6-24	529.7	-	335.3	194.4
Elevator system control/drive replacement	6-25	7,814.3	-	453.0	1,726.7
Emergency public address system at headquarters	6-26	862.2	-	260.6	601.6
Enterprise project management system	6-27	375.0	-	350.0	25.0
Flow meter replacement	6-28	1,949.1	1,189.7	306.0	453.4
HVAC replacement at headquarters	6-29	2,749.5	-	1,036.3	1,713.2
Hydrology improvements at Centennial Wash	6-30	1,265.4	-	-	273.3
Industrial water treatment room at pumping plants	6-31	3,574.7	-	348.5	1,659.4
LCI drive controls replacement at Waddell	6-32	1,560.5	-	1,139.1	421.4
Mobile radio system replacement	6-33	2,276.5	-	192.7	2,083.8
Motor exciter/control unit replacement	6-34	11,023.9	794.7	1,660.2	640.2
Projects under \$250	6-35	N/A	-	562.7	468.7
Server room and multifunction space	6-36	6,507.2	-	489.2	3,090.8
Siphon fiber optic monitoring system	6-37	2,197.6	776.3	1,421.3	-
Site drainage correction at headquarters	6-38	1,386.4	92.7	894.8	398.9
Station service battery charger replacement	6-39	2,025.8	-	637.5	1,388.3
Sump pump water level controls at pumping plants	6-40	745.7	-	-	256.9
Superstition Mountain recharge project - phase 2	6-41	22,001.0	-	101.7	1,145.4
Transmission line rebuild ED2 to Saguaro	6-42	10,714.0	294.0	1,469.0	4,261.0
Trashrake installation at Mark Wilmer	6-43	6,561.9	-	169.2	3,195.1
UPS system replacement at pumping plants	6-44	2,729.8	2,312.2	417.6	-
Urban fencing encroachment	6-45	680.3	276.8	403.5	-
Waddell river outlet works	6-46	576.7	-	157.8	418.9
Water blast area relocation at headquarters	6-47	536.0	-	505.4	30.6
Total capital projects				\$ 33,632.4	\$ 43,242.5
Advisory Projects Post-2015					
Communication cable replacement phase 5		1,500.0	-	-	-
Cross drainage structure replacement		1,500.0	-	-	-
Cathodic protection anode bed replacement		596.0	-	-	-
Electromechanical (E/M) relays replacement		14,000.0	-	-	-
Microwave Radios		3,800.0	-	-	-
SCADA system CBCS replacement at Waddell		458.0	-	-	-
Siphon stop logs		3,000.0	-	-	-
Transmission System (CAP)		22,400.0	-	-	-
Trash rakes - Southern Plants		20,000.0	-	-	-
Urban fencing encroachment		1,200.0	-	-	-
Other Capital Projects		23,000.0	-	-	-
Total advisory projects post 2015				\$ -	\$ -
Total capital improvement plan				\$ 33,632.4	\$ 43,242.5
Capital equipment				\$ 7,241.7	\$ 3,391.6
Total capital budget				\$ 40,874.1	\$ 46,634.1

Note: Capital equipment purchased and capital projects completed prior to 2014 are not shown.

CAPITAL BUDGET SUMMARY

(In Thousands)

	2016	2017	2018	2019	Balance
Capital Improvement Program					
Americans with Disabilities Act (ADA) requirements	\$ -	\$ -	\$ -	\$ -	\$ -
Annunciator panel replacement at pumping plants	-	-	-	-	-
APS transmission line / Hassayampa tap connection	16,101.2	8,619.8	5,869.6	500.0	-
As-Built pumping plants phase 2	-	-	-	-	-
Backup power system replacements	1,494.1	2,004.7	1,014.8	-	-
Bridge at Pima Mine Road	-	-	-	-	-
CADD vaulting system	-	-	-	-	-
Checks and turnouts replacement	-	-	-	-	-
Chiller replacements at pumping plants	259.4	-	-	-	-
Chlorination system replacement at plants	456.0	998.5	32.5	-	-
Communication cable replacement phase 4	-	-	-	-	-
Condition-based monitoring	477.0	-	-	-	-
Discharge valve replacement at pumping plants	39.5	-	-	-	-
Electromechanical (E/M) relays replacement pilot	-	-	-	-	-
Elevator system control/drive replacement	2,034.1	1,914.1	1,656.1	30.3	-
Emergency public address system at headquarters	-	-	-	-	-
Enterprise project management system	-	-	-	-	-
Flow meter replacement	-	-	-	-	-
HVAC replacement at headquarters	-	-	-	-	-
Hydrology improvements at Centennial Wash	992.1	-	-	-	-
Industrial water treatment room at pumping plants	1,547.7	19.1	-	-	-
LCI drive controls replacement at Waddell	-	-	-	-	-
Mobile radio system replacement	-	-	-	-	-
Motor exciter/control unit replacement	6,250.7	1,117.0	561.1	-	-
Projects under \$250	637.0	656.0	675.0	696.0	-
Server room and multifunction space	2,927.2	-	-	-	-
Siphon fiber optic monitoring system	-	-	-	-	-
Site drainage correction at headquarters	-	-	-	-	-
Station service battery charger replacement	-	-	-	-	-
Sump pump water level controls at pumping plants	488.8	-	-	-	-
Superstition Mountain recharge project - phase 2	6,993.0	13,570.1	190.8	-	-
Transmission line rebuild ED2 to Saguaro	2,633.0	2,057.0	-	-	-
Trashrake installation at Mark Wilmer	3,183.3	14.3	-	-	-
UPS system replacement at pumping plants	-	-	-	-	-
Urban fencing encroachment	-	-	-	-	-
Waddell river outlet works	-	-	-	-	-
Water blast area relocation at headquarters	-	-	-	-	-
Total capital projects	\$ 46,514.1	\$ 30,970.6	\$ 9,999.9	\$ 1,226.3	\$ -
Advisory Projects Post-2015					
Communication cable replacement phase 5	500.0	1,000.0	-	-	-
Cross drainage structure replacement	-	-	-	1,500.0	-
Cathodic protection anode bed replacement	-	-	-	596.0	-
Electromechanical (E/M) relays replacement	1,000.0	3,000.0	3,000.0	3,000.0	4,000.0
Microwave Radios	-	-	1,900.0	1,900.0	-
SCADA system CBCS replacement at Waddell	400.1	57.9	-	-	-
Siphon stop logs	500.0	2,500.0	-	-	-
Transmission System (CAP)	-	-	6,022.0	5,349.0	11,029.0
Trash rakes - Southern Plants	-	-	1,500.0	7,500.0	11,000.0
Urban fencing encroachment	275.0	300.0	300.0	325.0	-
Other Capital Projects	-	-	10,000.0	13,000.0	-
Total advisory projects post 2015	\$ 2,675.1	\$ 6,857.9	\$ 22,722.0	\$ 33,170.0	\$ 26,029.0
Total capital improvement plan	\$ 49,189.2	\$ 37,828.5	\$ 32,721.9	\$ 34,396.3	\$ 26,029.0
Capital equipment	\$ 6,077.0	\$ 5,382.0	\$ 6,687.0	\$ 5,611.0	\$ -
Total capital budget	\$ 55,266.2	\$ 43,210.5	\$ 39,408.9	\$ 40,007.3	\$ 26,029.0

CAPITAL EQUIPMENT SUMMARY

(In Thousands)

	2014 Budget	2015 Budget	2016 Advisory	2017 Advisory	2018 Advisory	2019 Advisory
Replacements						
Access control upgrade	\$ 90.0	\$ -	\$ -	\$ -	\$ -	\$ -
Back hoe	105.0	-	-	-	-	-
Breakers (\$28,000 each)	224.0	224.0	-	-	-	-
Bulk fuel system	-	30.0	-	-	-	-
Computer servers	150.0	190.0	-	-	-	-
Computer storage/system upgrade	1,716.0	-	-	-	-	-
Control room floor replacement	40.0	40.0	-	-	-	-
Cooling equipment	30.0	78.0	-	-	-	-
Discharge valves	180.0	60.0	-	-	-	-
Electronic test equipment	95.6	44.5	-	-	-	-
Equipment installation	203.0	230.2	-	-	-	-
Fiber optic equipment	30.0	9.0	-	-	-	-
Fire pump	-	20.0	-	-	-	-
Flowmeters	100.0	-	-	-	-	-
Heavy duty trucks	120.0	280.0	-	-	-	-
Hydraulic cylinder replacement	-	75.6	-	-	-	-
Impeller modification	190.0	190.0	-	-	-	-
Network upgrade-checks and turnouts	1,200.0	-	-	-	-	-
Office equipment - multifunctional	27.0	70.0	-	-	-	-
Racking system (10 systems)	165.0	100.0	-	-	-	-
Radial gate	82.5	-	-	-	-	-
Scraper	250.0	-	-	-	-	-
Stop logs	90.0	-	-	-	-	-
Stuffing boxes	20.0	30.0	-	-	-	-
Transfer switches	100.0	125.0	-	-	-	-
Unit breaker/exciter controls	515.0	495.0	-	-	-	-
Utility vehicles (6 trucks)	60.0	194.0	-	-	-	-
Vehicles (27 trucks/SUVs)	464.5	365.0	489.0	527.0	546.0	565.0
Warehouse forklift	25.0	-	-	-	-	-
Computer, servers, equipment & software	-	-	1,624.0	1,157.0	2,900.0	1,769.0
Other equipment (\$15,000 and less)	50.7	7.2	-	-	-	-
Field, communication & office equipment	-	-	3,364.0	3,083.0	2,611.0	2,634.0
Total replacements	\$ 6,323.3	\$ 2,857.5	\$ 5,477.0	\$ 4,767.0	\$ 6,057.0	\$ 4,968.0
Additions						
Communication system and radios	196.5	132.5	-	-	-	-
Data integration project	388.4	57.6	-	-	-	-
Lathe	150.0	-	-	-	-	-
Leveling and alignment equipment	-	80.0	-	-	-	-
Project management software	50.0	-	-	-	-	-
ROV with trailer	-	114.0	-	-	-	-
Scissor lift tables	-	50.0	-	-	-	-
Sheet metal shear	-	100.0	-	-	-	-
Utility trailers	27.5	-	-	-	-	-
Weed control equipment	66.0	-	-	-	-	-
Other equipment (\$15,000 and less)	40.0	-	600.0	615.0	630.0	643.0
Total additions	\$ 918.4	\$ 534.1	\$ 600.0	\$ 615.0	\$ 630.0	\$ 643.0
Total capital equipment	\$ 7,241.7	\$ 3,391.6	\$ 6,077.0	\$ 5,382.0	\$ 6,687.0	\$ 5,611.0

AMERICANS WITH DISABILITIES ACT (ADA) REQUIREMENTS

STRATEGY:	Effectively Manage, Operate and Maintain CAP Assets	START DATE:	3 rd Quarter 2014
KEY RESULT AREA:	Project Reliability	COMPLETION DATE:	2 nd Quarter 2015
PROJECT #:	610481	TOTAL PROJECT COST:	\$ 614,000
		Funding Source:	"Big R"

FINANCIAL IMPACT / COST ESTIMATE (IN \$000s):

<i>Total</i>	<i>Pre-2014</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>Balance</i>
\$ 614.0	\$ -	\$ 517.4	\$ 96.6	\$ -	\$ -	\$ -	\$ -	\$ -

DESCRIPTION: A recent space study indicated numerous areas on the CAP headquarters' campus that are not in compliance with the Americans with Disabilities Act (ADA). CAP Engineering considered fixing these items one by one through the asset modifications process. However, due to the extent and nature of the work needed to bring these non-compliant areas up to the ADA Standard, CAP will be utilizing external labor forces. These areas include doors, ramps, handrails, restrooms and other modifications.

JUSTIFICATION: All non-code-compliant features must be brought up to compliance with ADA.

OPERATING IMPACT: Only areas under construction will be temporarily closed to CAP employees. There will be no significant impact to ongoing operations after ADA modifications are complete.

SOCIAL IMPACT: Once construction is complete, CAP employees and visitors to CAP headquarters will have access to facilities in compliance with ADA specifications.

ENVIRONMENTAL IMPACT: No significant environmental impact identified.

ANNUNCIATOR PANEL REPLACEMENT AT PUMPING PLANTS

STRATEGY:	Effectively Manage, Operate and Maintain CAP Assets	START DATE:	1 st Quarter 2012
KEY RESULT AREA:	Project Reliability	COMPLETION DATE:	1 st Quarter 2014
PROJECT #:	610419	TOTAL PROJECT COST:	\$ 3,889,300
		Funding Source:	"Big R"

FINANCIAL IMPACT / COST ESTIMATE (IN \$000s):

Total	Pre-2014	2014	2015	2016	2017	2018	2019	Balance
\$ 3,889.3	\$ 2,373.0	\$ 1,093.2	\$ 423.1	\$ -	\$ -	\$ -	\$ -	\$ -

DESCRIPTION: Replace the existing individual switchyard, pumping plant and pump unit annunciator panels with two master Human Machine Interfaces (HMIs). All plant, switchyard and pump unit data will be displayed by these large touch screen monitors, allowing plant personnel to view the status of the plant.

JUSTIFICATION: The existing annunciator panels and associated sensors have reached the end of their useful life and, due to the equipment's age, replacement parts are becoming very difficult to obtain. Replacement of the annunciators will decrease long-term maintenance costs and provide a substantial technology upgrade.

OPERATING IMPACT: This project lowers operating costs for replacing power supplies, system equipment and labor for trouble shooting, replacement and testing. New annunciator HMI's facilitate operation of pumping systems for plant personnel.

SOCIAL IMPACT: New annunciator panels will improve efficiency and reduce man-hours needed to monitor plant operations.

ENVIRONMENTAL IMPACT: No significant impact identified.



APS TRANSMISSION LINE AND HASSAYAMPA TAP CONNECTION

STRATEGY: Effectively Manage, Operate and Maintain CAP Assets
START DATE: 4th Quarter 2011
KEY RESULT AREA: Project Reliability
COMPLETION DATE: 3rd Quarter 2019
PROJECT #: 610321 and 610480
TOTAL PROJECT COST: \$ 50,468,100
FUNDING SOURCE: "Big R"

FINANCIAL IMPACT / COST ESTIMATE (IN \$000s):

	Total	Pre-2014	2014	2015	2016	2017	2018	2019
\$	50,468.1	\$ 4,180.6	\$ 7,328.0	\$ 7,868.9	\$ 16,101.2	\$ 8,619.8	\$ 5,869.6	\$ 500.0

DESCRIPTION: Palo Verde-Delaney-Sun Valley-Morgan Transmission Project (PV-Morgan) is a 500,000 volt transmission line project to be built and operated by Arizona Public Service Company (APS). CAP has a right to participate in PV-Morgan up to 10%.

At the Sun Valley Substation on the PV-Morgan transmission line, CAP needs two new 230kV breaker positions for the Hassayampa Pumping Plant and to feed the existing 230kV back into the CAP Transmission System at the Hassayampa Tap. CAP will subsequently work with Western Area Power Administration (WAPA) to update and improve the Hassayampa Tap.

JUSTIFICATION: CAP must rely on existing transmission and purchase of transmission from transmission providers. CAP participation in PV-Morgan not only connects Navajo Southern Transmission System (Westwing) to CAP loads at Sun Valley but also allows CAP to make purchases out of Palo Verde and/or Westwing for times when units at the Navajo Generating Station (NGS) are out of service, physically or economically.

	Total	Pre-2014	2014	2015	2016	2017	2018	2019
APS Transmission Line	\$ 40,468.1	\$ 4,180.6	\$ 7,128.0	\$ 7,568.9	\$ 14,801.2	\$ 4,719.8	\$ 2,069.6	-
HASS Tap Connection	10,000.0	-	200.0	300.0	1,300.0	3,900.0	3,800.0	500.0
	<u>\$ 50,468.1</u>	<u>\$ 4,180.6</u>	<u>\$ 7,328.0</u>	<u>\$ 7,868.9</u>	<u>\$ 16,101.2</u>	<u>\$ 8,619.8</u>	<u>\$ 5,869.6</u>	<u>\$ 500.0</u>

OPERATING IMPACT: This transmission line provides an alternate means of providing power to the CAP system increasing CAP's ability to deliver water as needed. Transmission costs will decrease with a slight offset for ongoing maintenance costs.

SOCIAL IMPACT: CAP will have improved access to power for operations of the CAP system which will improve the reliability of customer water deliveries.

ENVIRONMENTAL IMPACT: The use of transmission lines by multiple companies eliminates the need for separate transmission sources preserving the natural land and wildlife areas.

AS-BUILT PUMPING PLANTS PHASE 2

STRATEGY:	Effectively Manage, Operate and Maintain CAP Assets	START DATE:	1 st Quarter 2003
KEY RESULT AREA:	Project Reliability	COMPLETION DATE:	1 st Quarter 2015
PROJECT #:	610160	TOTAL PROJECT COST:	\$ 17,593,200
		FUNDING SOURCE:	"Big R"

FINANCIAL IMPACT / COST ESTIMATE (IN \$000s):

Total	Pre-2014	2014	2015	2016	2017	2018	2019
\$ 17,593.2	\$ 14,640.6	\$ 1,608.4	\$ 1,344.2	\$ -	\$ -	\$ -	\$ -

DESCRIPTION: Accurate and up-to-date as-built drawings are critical to achieve system reliability, safety and meet maintenance excellence objectives. The scope of this project will include a wire-by-wire verification to ensure that as-built drawings reflect what is installed. Final drawings incorporate changes that will be used to troubleshoot and maintain the structures.

To date, Salt Gila, Hassayampa, Bouse, Little Harquahala, Brawley, San Xavier, Brady, Picacho, Red Rock, Twin Peaks, Sandario, Snyder Hill, Black Mountain, Mark Wilmer and Waddell Switchyard are complete. This budget cycle addresses New Waddell Pump / Generating Plant and Dam.

JUSTIFICATION: Quality engineering and management practice mandates procedures and current as-built drawings to ensure that systems are operated and maintained in an efficient and consistent manner. This project will redefine the contents of a complete set of drawings to meet the needs of all CAP departments. These drawings will supersede previous drawings, convert all drawings to an electronic format and index all drawings to CAP's Enterprise Information Management System (LiveLink).

OPERATING IMPACT: Drawings are utilized to plan and perform maintenance activities, asset modifications and capital projects. Accurate and readily available drawings minimize the likelihood of incurring costs from having to correct errors.

SOCIAL IMPACT: Accurate drawings of the pumping plant systems benefit CAP's workforce from an operational and safety standpoint.

ENVIRONMENTAL IMPACT: Improving the accuracy of CAP's pumping plant as-built drawings creates an efficient and reliable data source for operations and maintenance on the CAP system. The potential for unnecessary system outages and inefficient use of energy is reduced. Electronic storage reduces the use of paper products.

BACKUP POWER SYSTEM REPLACEMENTS AT CHECKS, TURNOUTS & MICROWAVE SITES

STRATEGY:	Effectively Manage, Operate and Maintain CAP Assets	START DATE:	1 st Quarter 2014
KEY RESULT AREA:	Project Reliability	COMPLETION DATE:	4 th Quarter 2018
PROJECT #:	610452	TOTAL PROJECT COST:	\$ 6,197,600
		FUNDING SOURCE:	"Big R"

FINANCIAL IMPACT / COST ESTIMATE (IN \$000s):

<i>Total</i>	<i>Pre-2014</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>Balance</i>
\$ 6,197.6	\$ -	\$ 190.0	\$ 1,494.0	\$ 1,494.1	\$ 2,004.7	\$ 1,014.8	\$ -	\$ -

DESCRIPTION: This project addresses CAP’s need for the replacement of backup power at eight mountain top microwave sites, 33 turnout sites and over 30 check structures. These sites currently utilize various direct current (DC) chargers and batteries for multiple voltages, ranging from 120VDC to -48VDC. Existing chargers will be replaced with an integrated UPS system and DC power distribution. This system will incorporate all existing voltages and consolidate the power system to 24VDC. The new battery charger system will only integrate voltages that are still in use. This project will also replace emergency backup generators and automatic transfer switches (ATS) at locations where existing equipment is beyond service life and requires high levels of corrective maintenance.

JUSTIFICATION: Replacing the existing UPS with an integrated UPS and DC distribution system will consolidate the power system to 24VDC allowing for remote monitoring, testing capabilities and reduce the number of required replacement parts system-wide. Additionally, the UPS replacement project will decrease the amount of labor required for preventive maintenance. At most sites, generators and ATS’s are beyond their service life and require a high level of corrective and breakdown maintenance work to ensure continued operation.

OPERATING IMPACT: The integrated UPS and DC distribution system will reduce ongoing operating costs by decreasing the amount of labor required for preventive maintenance. Reliable backup power systems are necessary for continued, uninterrupted deliveries during power failure events.

SOCIAL IMPACT: This project increases CAP’s system reliability which increases the reliability of customer water deliveries without interruptions.

ENVIRONMENTAL IMPACT: The new integrated systems creates efficient use of energy.

BRIDGE AT PIMA MINE ROAD RECHARGE PROJECT

STRATEGY:	Replenishment	START DATE:	1 st Quarter 2013
KEY RESULT AREA:	Water Supply	COMPLETION DATE:	1 st Quarter 2015
PROJECT #:	610440	TOTAL PROJECT COST:	\$ 1,162,000
		Funding Source:	Recharge/Cost Share

FINANCIAL IMPACT / COST ESTIMATE (IN \$000s):

<i>Total</i>	<i>Pre-2014</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>Balance</i>
\$ 1,162.0	\$ 135.4	\$ 969.5	\$ 57.1	\$ -	\$ -	\$ -	\$ -	\$ -

DESCRIPTION: This project encompasses construction improvements to the bridge crossing the Santa Cruz River at the Pima Mine Road alignment. The Arizona Department of Transportation (ADOT) has found the bridge to be “structurally deficient” based on an October 2008 ADOT study. The Town of Sahuarita is planning to address this deficiency by upgrading the existing two-lane bridge to a four-lane bridge. Currently, CAP has a 24-inch diameter section of pipeline attached to the two-lane bridge. A new 36-inch pipeline will replace this section when the new bridge is constructed. This project is cost-shared 50/50 with Tucson.

JUSTIFICATION: Increasing the pipeline diameter will ensure maximum flow throughout the pipeline to downstream end-users. Replacing the bridge pipeline will make all sections 36-inch diameter pipe, removing the current flow restrictions caused by moving water from the 36-inch section into a 24-inch section. CAP’s participation in the design and construction phases of this project will minimize impact to water use and canal operations.

OPERATING IMPACT: The larger pipeline will remove flow restrictions which will increase the efficiency of moving water through the pipeline reducing operating costs.

SOCIAL IMPACT: Construction of the new bridge will temporarily create a disruption in traffic flow and require an extended outage to build.

ENVIRONMENTAL IMPACT: Including the pipeline upgrade in the construction of the new bridge minimizes disturbance to the surrounding ecosystems.

COMPUTER AIDED DRAFTING AND DESIGN (CADD) VAULTING SYSTEM

STRATEGY:	Effectively Manage, Operate and Maintain CAP Assets	START DATE:	2 nd Quarter 2014
KEY RESULT AREA:	Project Reliability	COMPLETION DATE:	3 rd Quarter 2015
PROJECT #:	610447	TOTAL PROJECT COST:	\$ 909,600
		FUNDING SOURCE:	"Big R"

FINANCIAL IMPACT / COST ESTIMATE (IN \$000s):

<i>Total</i>	<i>Pre-2014</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>Balance</i>
\$ 909.6	\$ -	\$ 440.2	\$ 469.4	\$ -	\$ -	\$ -	\$ -	\$ -

DESCRIPTION: Autodesk provides a computer aided drafting and design (CADD) vaulting system (Autodesk Vault Professional) that is designed to work with all Engineering Services Autodesk CAD products and Solidworks software. Autodesk Vault Professional software will ensure that data integrity is maintained, reported, recorded and tracked throughout the document lifecycle in an efficient and automated process. Implementation of this software will allow for improved project efficiencies and team/project collaborations.

JUSTIFICATION: Within the current software environment exists high risk for record information loss or for CAD drawing files to become unreliable and/or destroyed upon indexing within Livelink, CAP's electronic data storage software. The drawing lifecycle across multiple asset modifications concurrently increases consultant scope costs and internal project risks. The amount of manual entry required to track multiple reserves per document is prone to omission, degradation of information and human error.

OPERATING IMPACT: The current system causes inefficient utilization of CAP labor due to multiple Livelink system manual entries and drawing maintenance activities. The new system will save on operational costs by reducing the loss of data, drawings and incorrect or outdated information.

SOCIAL IMPACT: CAP employees and outside contractors will have the most up-to-date drawings, which in turn will enhance their ability to safely and accurately perform maintenance work and asset modifications.

ENVIRONMENTAL IMPACT: There is no significant environmental impact.

CHECKS & TURNOUTS REPLACEMENT

STRATEGY:	Effectively Manage, Operate and Maintain CAP Assets	START DATE:	1 st Quarter 2012
KEY RESULT AREA:	Project Reliability	COMPLETION DATE:	2 nd Quarter 2014
PROJECT #:	610411	TOTAL PROJECT COST:	\$ 2,717,700
		FUNDING SOURCE:	"Big R"

FINANCIAL IMPACT / COST ESTIMATE (IN \$000s):

<i>Total</i>	<i>Pre-2014</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>Balance</i>
\$ 2,717.7	\$ 2,083.2	\$ 634.5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

DESCRIPTION: The check structures and many of the turnouts have been in operation for over 25 years. Much of the equipment at these sites is no longer commercially available or supported by the manufacturers. This project addresses three of the obsolete equipment issues common to most sites, including the replacement of the gate position instrumentation and digital panel meters, installation of a human machine interface screen and replacement of the control relays and actuator valves on the hydraulic pressure units.

JUSTIFICATION: The equipment is integral to the operation of the checks and turnouts and has reached the end of its useful life; it is no longer commercially available or supported by the manufacturers.

OPERATING IMPACT: Check structures are essential aqueduct features required for conveyance control and deliveries. The new equipment will increase the management of water deliveries and the ability to troubleshoot issues, and Maintenance costs will be reduced.

SOCIAL IMPACT: Replacement schedules need to minimize any inconvenience to CAP customers during possible downtime. Once repaired, the equipment increases CAP's ability to deliver water to customers as scheduled.

ENVIRONMENTAL IMPACT: New operating equipment creates a more efficient system that reduces the use of energy.

CHILLER REPLACEMENTS

STRATEGY: Effectively Manage, Operate and Maintain CAP Assets

START DATE: 4th Quarter 2011

KEY RESULT AREA: Project Reliability

COMPLETION DATE: 3rd Quarter 2015

PROJECT #: 610334 and 610413

TOTAL PROJECT COST: \$ 5,093,800

FUNDING SOURCE: "Big R"

FINANCIAL IMPACT / COST ESTIMATE (IN \$000s):

Total	Pre-2014	2014	2015	2016	2017	2018	2019
\$ 5,093.8	\$ 743.0	\$ 1,833.0	\$ 2,258.4	\$ 259.4	\$ -	\$ -	\$ -

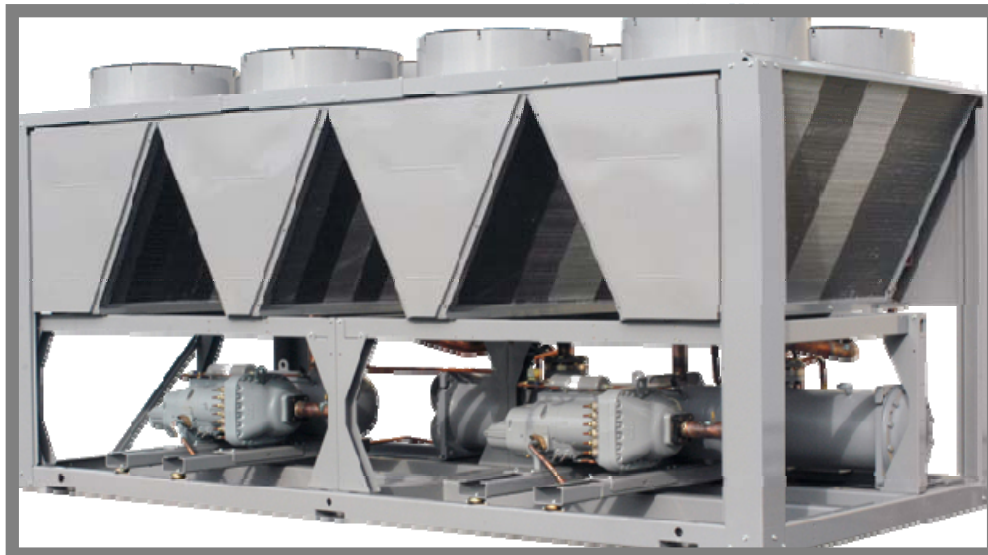
DESCRIPTION: New chillers or air conditioning systems will be installed at Snyder Hill, Black Mountain, Brawley and San Xavier Pumping Plants.

JUSTIFICATION: The pumping plant cooling systems are approaching the end of their 20-year life.
OPERATING IMPACT: New cooling systems run more efficiently saving energy costs. In addition, during hot months, new cooling systems will allow maintenance activities to be performed in a more comfortable environment.

	Total	Pre-2014	2014	2015	2016	2017	2018
Black Mtn / Snyder Hill	\$ 1,933.7	\$ 743.0	\$ 1,190.7	\$ -	\$ -	\$ -	\$ -
Brawley / San Xavier	3,160.1	-	642.3	2,258.4	259.4	-	-
	<u>\$ 5,093.8</u>	<u>\$ 743.0</u>	<u>\$ 1,833.0</u>	<u>\$ 2,258.4</u>	<u>\$ 259.4</u>	<u>\$ -</u>	<u>\$ -</u>

SOCIAL IMPACT: The new system creates a safe work environment for CAP employees.

ENVIRONMENTAL IMPACT: This system utilizes a refrigerant that is less harmful to the environment aligning with CAP's environmental stewardship.



CHLORINATION SYSTEM REPLACEMENT AT 10 PUMPING PLANTS

STRATEGY:	Effectively Manage, Operate and Maintain CAP Assets	START DATE:	1 st Quarter 2015
KEY RESULT AREA:	Project Reliability	COMPLETION DATE:	1 st Quarter 2018
PROJECT #:	610449	TOTAL PROJECT COST:	\$ 1,650,400
		FUNDING SOURCE:	"Big R"

FINANCIAL IMPACT / COST ESTIMATE (IN \$000s):

<i>Total</i>	<i>Pre-2014</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>
\$ 1,650.4	\$ -	\$ -	\$ 163.4	\$ 456.0	\$ 998.5	\$ 32.5	\$ -

DESCRIPTION: This project replaces the pellet chlorinators system-wide, with a liquid chlorination skid. Maintenance Engineering has reported that the existing pellet chlorinators are oversized with installations that do not maintain necessary residuals to limit bacterial growth. Adequate chlorination is an effective water treatment for nuisance organisms, including quagga mussels.

Plants requiring the new liquid chlorination skid are Mark Wilmer, Bouse Hills, Little Harquahala, Hassayampa, Waddell, San Xavier, Twin Peaks, Sandario, Snyder Hill and Black Mountain. The chlorine systems presently maintain minimal levels of chlorine in the service water system with higher doses of chlorine for the heat exchangers during unit shut down.

The proposed liquid chlorination system is a stand-alone skid which includes required pumps and mixing tanks. Components of the skid are a unit-cooling water chlorination pump, service water chlorination metering pump, and concentrated and dilute sodium hypochlorite tanks and mixers. If feasible, the chlorination skid may also replace the function of the potable water chlorine element pump. This replacement will streamline chlorine systems and reduce overall liquid chlorine maintenance. Skid containment and drum transfer pumps, as well as system flow meters will also be provided.

JUSTIFICATION: Chlorination systems are critical to pump equipment and reliable delivery of water.

OPERATING IMPACT: The new equipment will decrease maintenance costs associated with breakdown or corrective maintenance work.

SOCIAL IMPACT: The new system protects critical pumping systems by limiting growth of nuisance organisms and decreases risk of pump downtime.

ENVIRONMENTAL IMPACT: This system provides a water treatment system for pump motor service water.

COMMUNICATION CABLE REPLACEMENT PHASE 4

STRATEGY:	Effectively Manage, Operate and Maintain CAP Assets	START DATE:	1 ST Quarter 2012
KEY RESULT AREA:	Project Reliability	COMPLETION DATE:	3 rd Quarter 2014
PROJECT #:	610414	TOTAL PROJECT COST:	\$ 5,732,100
		FUNDING SOURCE:	"Big R"

FINANCIAL IMPACT / COST ESTIMATE (IN \$000s):

Total	Pre-2014	2014	2015	2016	2017	2018	2019
\$ 5,732.1	\$ 5,689.3	\$ 42.8	\$ -	\$ -	\$ -	\$ -	\$ -

DESCRIPTION:

The communication cable replacement project consists of installing fiber-optic (FO) cable in conduit along the CAP’s right-of-way from the Bouse Hills Pumping Plant to the Terminus. The new FO cable will replace a deteriorating system that supports data and voice communications. The FO communication system will allow the complete installation of the system and termination at all of the required locations. Five projects (i.e., phases) will install the new FO communication system. Phases 1,2 and 3 have been completed in previous budget years, installing FO cable from Bouse Hills to Brady Pumping Plant.



JUSTIFICATION:

Technological advances, poor performance of the existing system and the operational requirement for new communication cable led to the proposed Bouse Hills Pumping Plant to Terminus FO project. The existing communication cable system has degraded over the years from age and numerous cable cuts (new utility and bridge crossings along our canal necessitate the need to cut and re-route our cables, each time adding more signal attenuation). The existing metallic cable communication system has a much slower data throughput speed than FO. Replacing the metallic cable with FO prepares us for future growth, higher bandwidth capacity and improvements to existing technology.



OPERATING IMPACT:

Data transfer is faster and more reliable over FO cable which improves network bandwidth and performance of the Supervisory Control and Data Acquisition (SCADA) system.

SOCIAL IMPACT:

The new fiber-optic system will increase communication capability along the CAP canal which increases the reliability of water deliveries to CAP customers.



ENVIRONMENTAL IMPACT:

FO cable uses lighter material, is safer for the surrounding ecosystem and uses less energy for data transmission.

CONDITION-BASED MONITORING

STRATEGY:	Effectively Manage, Operate and Maintain CAP Assets	START DATE:	1 st Quarter 2012
KEY RESULT AREA:	Project Reliability	COMPLETION DATE:	3 rd Quarter 2016
PROJECT #:	610317	TOTAL PROJECT COST:	\$ 5,849,900
		FUNDING SOURCE:	"Big R"

FINANCIAL IMPACT / COST ESTIMATE (IN \$000s):

Total	Pre-2014	2014	2015	2016	2017	2018	2019
\$ 5,849.9	\$ 984.6	\$ 2,189.0	\$ 2,199.3	\$ 477.0	\$ -	\$ -	\$ -

DESCRIPTION: CAP has begun to implement Reliability-Centered Maintenance, which includes Predictive Maintenance (PdM) and Condition-Based Monitoring (CBM). PdM promotes maximum equipment availability and minimum maintenance costs and helps facilitate the planning and scheduling of equipment outages so that CAP's operational effectiveness is not affected. CBM facilitates PdM by providing leading indicators of equipment failures or degradation. This project will implement three different CBM techniques on the pumping units at all CAP pumping plants: (1) install a motor test and analysis port that will allow online power and efficiency testing on each motor; (2) install Iris Power Partial Discharge Analysis connection kits to allow online conductor insulation testing; (3) install Vibration Analysis sensors and software to measure for imbalance, misalignment, cavitations and other symptoms affecting motor and pump efficiency.

JUSTIFICATION: This project aligns with the Maintenance Excellence effort and allows CAP to better manage and predict failures of pump units lessening the occurrence of unscheduled outages.

OPERATING IMPACT: Pump and motor units are essential for water conveyance. This project improves the operational availability of units to achieve CAP's required water deliveries by reducing the likelihood of unplanned costly catastrophic failure.

SOCIAL IMPACT: Lowering the risk of outages increases CAP's ability to provide customers with water deliveries as scheduled.

ENVIRONMENTAL IMPACT: Improved monitoring of the CAP system allows a more efficient method for operation and maintenance reducing excessive use of power due to malfunctioning equipment.



DISCHARGE VALVE REPLACEMENT AT PUMPING PLANTS

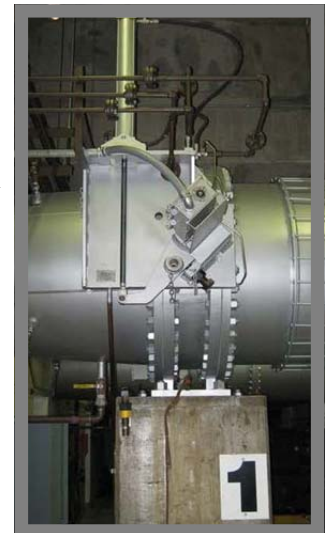
STRATEGY: Effectively Manage, Operate and Maintain CAP Assets START DATE: 4th Quarter 2013
 KEY RESULT AREA: Project Reliability COMPLETION DATE: 1st Quarter 2016
 PROJECT #: 610445 and 610453 TOTAL PROJECT COST: \$ 5,935,600
 Funding Source: "Big R"

FINANCIAL IMPACT / COST ESTIMATE (IN \$000s):

Total	Pre-2014	2014	2015	2016	2017	2018	2019
\$ 5,935.6	\$ -	\$ 3,475.0	\$ 2,421.1	\$ 39.5	\$ -	\$ -	\$ -

DESCRIPTION: Unit check valves at Black Mountain and Snyder Hill pumping plants are malfunctioning, resulting in reverse flow through pump units. The check valves are obsolete and the original equipment maintenance (OEM) is not available for support. Likewise, the unit inlet and discharge valves do not seat correctly which leads to leaking.

Unit discharge valves at the Brady, Picacho and Red Rock pumping plants do not meet equipment lifetime expectations. The recommended design of the replacement valves have a triple-eccentric seat design. This provides for a larger effective area for energy dissipation and lowers the fluid velocities within the valve. Lower fluid velocities will decrease flow accelerated corrosion of the valve body, one of the main causes of the decreased life span of the current discharge valves.



JUSTIFICATION: The leaking inlet and discharge valves cause unsafe maintenance procedures. The malfunctioning check valves could lead to very costly pump shaft/motor repairs. Maintenance costs due to frequent and recurring overhauls can be mitigated with the installation of new valves.

	Total	Pre-2014	2014	2015	2016	2017	2018
Black Mtn / Snyder Hill	\$ 3,363.9	\$ -	\$ 2,912.0	\$ 451.9	\$ -	\$ -	\$ -
Brady, Picacho & Red Rock	2,571.7	-	563.0	1,969.2	39.5	-	-
	\$ 5,935.6	\$ -	\$ 3,475.0	\$ 2,421.1	\$ 39.5	\$ -	\$ -

OPERATING IMPACT: Recurring maintenance costs associated with the valves should be reduced after replacement work is complete. Functional valves are critical to reliable plant operations.

SOCIAL IMPACT: Reliable and efficient equipment reduces maintenance downtime and contributes to the reliability of deliveries to customers.

ENVIRONMENTAL IMPACT: New valves provide a more efficient system that optimizes the energy used to deliver water.

ELECTROMECHANICAL (E/M) RELAYS DIGITAL REPLACEMENT PILOT

STRATEGY:	Effectively Manage, Operate and Maintain CAP Assets	START DATE:	1 st Quarter 2014
KEY RESULT AREA:	Project Reliability	COMPLETION DATE:	4 th Quarter 2015
PROJECT #:	610454	TOTAL PROJECT COST:	\$ 529,700
		FUNDING SOURCE:	"Big R"

FINANCIAL IMPACT / COST ESTIMATE (IN \$000s):

<i>Total</i>	<i>Pre-2014</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>Balance</i>
\$ 529.7	\$ -	\$ 335.3	\$ 194.4	\$ -	\$ -	\$ -	\$ -	\$ -

DESCRIPTION: Electromechanical (E/M) relays are reliable and effective, but have a limited life span of typically 30 years under good conditions and proper maintenance. Most relays are approaching 30 years in service and need to be replaced due to age and obsolescence concerns. This pilot project will install an Intelligent Electronic Device (IED) to replace electromechanical relays performing on one pump motor and one switchyard transformer at Salt Gila pumping plant during the 2014 / 2015 budget cycle. The installation will include full engineering design by CAP resources and updated system drawings.

The new IEDs will have Ethernet network connectivity. This connectivity will allow for additional functionality and data collection for configuration control, fault analysis and reliability analysis.

JUSTIFICATION: The E/M relays should be replaced prior to the end of their useful life and before they fail completely. If an E/M relay were to fail to operate during a fault condition, the result could be major damage to critical water delivery equipment such as motors, transformers and cables.

OPERATING IMPACT: Installing new relays will reduce maintenance costs, increase diagnostic capabilities and provide more complete delivery equipment protection.

SOCIAL IMPACT: There is risk associated with continuing to utilize the existing E/M relays to protect critical infrastructure. Failure to operate during a fault condition could result in damage to equipment that could cause them to be out of service for a prolonged period of time which may impact CAP's ability to deliver water.

ENVIRONMENTAL IMPACT: There is limited environmental impact associated with this work.

ELEVATOR SYSTEM CONTROL/DRIVE REPLACEMENT

STRATEGY: Effectively Manage, Operate and Maintain CAP Assets
KEY RESULT AREA: Project Reliability
PROJECT #: 610455

START DATE: 1st Quarter 2014
COMPLETION DATE: 1st Quarter 2019
TOTAL PROJECT COST: \$ 7,814,300
FUNDING SOURCE: "Big R"

FINANCIAL IMPACT / COST ESTIMATE (IN \$000s):

Total	Pre-2014	2014	2015	2016	2017	2018	2019	Balance
\$ 7,814.3	\$ -	\$ 453.0	\$ 1,726.7	\$ 2,034.1	\$ 1,914.1	\$ 1,656.1	\$ 30.3	\$ -

DESCRIPTION: Replace elevator controls and equipment as required to support the new control systems at all plants and at headquarters.

The work will be prioritized based on current conditions of the elevator controls per facility. Useable parts from the first upgrades will be salvaged and maintained as inventory to perform repairs at the other locations until such time as they are upgraded within this project.

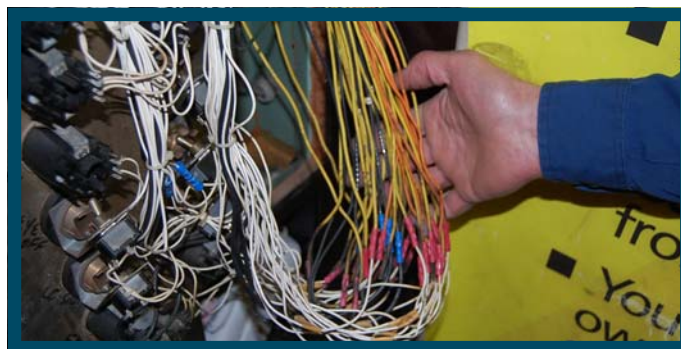


JUSTIFICATION: The elevators are essential for safely transporting materials and personnel to and from different levels within the facilities. The current conditions and maintainability of the elevators are not sufficient to meet reliability requirements.

OPERATING IMPACT: The new elevator control system will provide improved reliability and improved functionality with other plant systems such as the fire protection/alarm system.

SOCIAL IMPACT: The new elevator controls and equipment will safely transport CAP personnel, equipment, materials, tools and visitors between floors.

ENVIRONMENTAL IMPACT: There is no significant environmental impact from this project.



EMERGENCY PUBLIC ADDRESS SYSTEM AT HQ

STRATEGY:	Managing our Workforce	START DATE	1 st Quarter 2014
KEY RESULT AREA:	Project Reliability	COMPLETION DATE:	3 rd Quarter 2015
PROJECT #:	610410	TOTAL PROJECT COST:	\$ 862,200
		Funding Source:	"Big R"

FINANCIAL IMPACT / COST ESTIMATE (IN \$000s):

Total	Pre-2014	2014	2015	2016	2017	2018	2019
\$ 862.2	\$ -	\$ 260.6	\$ 601.6	\$ -	\$ -	\$ -	\$ -

DESCRIPTION: This project is an upgrade to the existing fire alarm system at headquarters, including buildings 1, 2, 3, 6 (helicopter hangar) and 8 (service station). An emergency public address system will be an integral part of the fire alarm system. With the upgraded system, employees will be able to hear real-time voice announcements from the speakers with critical information and concise directions during emergencies throughout the CAP headquarters' property.

JUSTIFICATION: To help protect employees during an emergency situation, CAP needs to have an effective emergency public address system that allows communication with employees. The current system utilizes the fire alarms only. The new system will allow for immediate notification of emergency procedures to be implemented, including evacuation routes, in such events as building shutdowns, terrorist threats, bomb scares or critical traffic situations.

OPERATING IMPACT: No significant impact to ongoing operations.

SOCIAL IMPACT: CAP employees, vendors and the public will benefit from communication in the event of an emergency situation. Understanding the emergency creates a calmer, more coordinated evacuation of affected areas.

ENVIRONMENTAL IMPACT: No significant environmental impact identified.

ENTERPRISE PROJECT MANAGEMENT SYSTEM IMPLEMENTATION

STRATEGY:	Effectively Manage, Operate and Maintain CAP Assets	START DATE:	1 st Quarter 2014
KEY RESULT AREA:	Project Reliability	COMPLETION DATE:	1 st Quarter 2015
PROJECT #:	610456	TOTAL PROJECT COST:	\$ 375,000
		FUNDING SOURCE:	"Big R"

FINANCIAL IMPACT / COST ESTIMATE (IN \$000s):

<i>Total</i>	<i>Pre-2014</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>Balance</i>
\$ 375.0	\$ -	\$ 350.0	\$ 25.0	\$ -	\$ -	\$ -	\$ -	\$ -

DESCRIPTION: An enterprise project management (PM) software system will be chosen based on functional and technical requirements. Once an application and consultant are chosen, IT will purchase and configure an additional Windows server. Then the consultant will install the PM application and configure it to meet defined functional requirements. The consultant will also develop the necessary integrations with other enterprise applications with assistance from IT's developers and administrators.

At the same time, IT will work closely with CAP departments to design processes to enter and maintain data and test the application. Server administrators will also plan for disaster recovery (backup scheduling and recovery) and patching of the new system.

JUSTIFICATION: An abundance of a project manager's time is spent completing manual, administrative tasks, manipulating and entering data in spreadsheets and manually tracking each phase of a project. The project teams' core responsibilities are to actively communicate with other departments and deliver projects in accordance with CAP requirements and processes. An enterprise project management tool is needed to assist in tracking projects while allowing the project managers more time to coordinate interdepartmentally and externally.

OPERATING IMPACT: This will allow project teams to reduce the time spent on administrative issues and to focus on the construction work and the completion of the project. It will improve coordination of data and information relative to project delivery reducing risk of outage extensions and improving labor utilization.

SOCIAL IMPACT: Allows project teams to improve communication and management of project budget, scope and schedule. Improves reporting capabilities to CAP's PSC and Board.

ENVIRONMENTAL IMPACT: There is no significant environmental impact from this project.

FLOW METER REPLACEMENT

STRATEGY: Effectively Manage, Operate and Maintain CAP Assets

START DATE: 1st Quarter 2011

KEY RESULT AREA: Project Reliability

COMPLETION DATE: 4th Quarter 2015

PROJECT #: 610427

TOTAL PROJECT COST: \$ 1,949,100

FUNDING SOURCE: "Big R"

FINANCIAL IMPACT / COST ESTIMATE (IN \$000s):

Total	Pre-2014	2014	2015	2016	2017	2018	2019	Balance
\$ 1,949.1	\$ 1,189.7	\$ 306.0	\$ 453.4	\$ -	\$ -	\$ -	\$ -	\$ -

DESCRIPTION: The project will install flow meters chosen for their technology and best fit with CAP's water systems. As part of the project, CAP standard flow meter drawings will be developed and used for installation and as-built use.

JUSTIFICATION: Turnout flow meters are used for reporting water deliveries, but their primary use is for water control through the SCADA system. Mark Wilmer and Waddell flow meters also measure the diversions from the Colorado River and storage and releases from Lake Pleasant, respectively. The CAP meter system must be well managed to assure delivery information is reported accurately, which will then insure that our customers are invoiced correctly and resources are optimized. The Accusonic model 7500 and 7520 flow meters are utilized at 26 different pumping plants and turnouts. These models have been identified as obsolete and are no longer supported by the manufacturer.



	Total	Pre-2014	2014	2015	2016	2017	2018
Phase 1	\$ 1,495.7	\$ 1,189.7	\$ 306.0	\$ -	\$ -	\$ -	\$ -
Phase 2	453.4	-	-	453.4	-	-	-
	\$ 1,949.1	\$ 1,189.7	\$ 306.0	\$ 453.4	\$ -	\$ -	\$ -

OPERATING IMPACT: Flow meters must be accurate and well maintained to assure optimized billing and resource management.

SOCIAL IMPACT: Proper scheduling will minimize any disruption in CAP operations. Updated equipment provides increased accuracy in the reporting of water deliveries to CAP customers insuring correct invoicing and delivery information.



ENVIRONMENTAL IMPACT: New flow meters will improve energy efficiency.

HVAC REPLACEMENT AT HEADQUARTERS

STRATEGY: Effectively Manage, Operate and Maintain CAP Assets

START DATE: 2nd Quarter 2014

KEY RESULT AREA: Project Reliability

COMPLETION DATE: 2nd Quarter 2015

PROJECT #: 610461

TOTAL PROJECT COST: \$ 2,749,500

FUNDING SOURCE: "Big R"

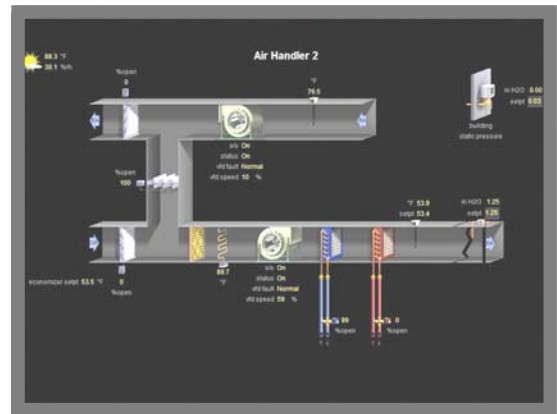
FINANCIAL IMPACT / COST ESTIMATE (IN \$000s):

Total	Pre-2014	2014	2015	2016	2017	2018	2019	Balance
\$ 2,749.5	\$ -	\$ 1,036.3	\$ 1,713.2	\$ -	\$ -	\$ -	\$ -	\$ -

DESCRIPTION:

Replacing and/or upgrading the system will insure that the functions of CAP headquarters Building 1 continue as required. The efficacy, compatibility and energy savings of all Heating, Venting and Air Conditioning (HVAC) equipment, piping, instrumentation and controls will be evaluated to include all equipment in the mechanical room, boiler, cooling tower and all existing rooftop equipment.

Based on that evaluation, equipment will be replaced or renovated. In addition to replacing the existing HVAC equipment, all abandoned wire and cable in the ceiling plenum will be removed, fire-stop sealing will occur (where required) and the existing Automated Logic Control system will be updated to integrate all new equipment.



JUSTIFICATION:

The HVAC controls and equipment are becoming unreliable, beginning to fail and replacement parts are no longer available. This aging equipment contributes to untimely, unmanageable and sometimes severe temperature swings. Many adjustments are made manually instead of by the control system. The equipment for the SCADA system, CAPnet, MEnet and other valuable CAP systems require a cool environment to function.

OPERATING IMPACT:

The work will be completed weeknights and weekends to cause the least amount of disturbance to staff. The mechanical room replacements will occur during the winter months to allow for free cooling. The new equipment will reduce CAP's operating costs for energy, reduce maintenance expenses and allow enhanced control of temperature conditions for all areas of HQ Building 1.

SOCIAL IMPACT:

This will create a better working environment for CAP employees and visitors to CAP headquarters.

ENVIRONMENTAL IMPACT:

New and efficient use of HVAC equipment will reduce energy use.

HYDROLOGY IMPROVEMENTS AT CENTENNIAL WASH

STRATEGY: Effectively Manage, Operate and Maintain CAP Assets
START DATE: 1st Quarter 2015
KEY RESULT AREA: Project Reliability
COMPLETION DATE: 3rd Quarter 2016
PROJECT #: 610448
TOTAL PROJECT COST: \$ 1,265,400
FUNDING SOURCE: "Big R"

FINANCIAL IMPACT / COST ESTIMATE (IN \$000s):

<i>Total</i>	<i>Pre-2014</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>Balance</i>
\$ 1,265.4	\$ -	\$ -	\$ 273.3	\$ 992.1	\$ -	\$ -	\$ -	\$ -

DESCRIPTION: This project will include design and construction of enhancements to Dike 2 embankment of Pool 6 at Centennial Wash. A previous engineering study evaluated the hydrology of the area and concluded that more drainage was directed to the area above the dike than the original Bureau of Reclamation (BOR) design. This project will raise the dike elevation to protect the canal from the 100-year 24-hour storm. The dike is currently drained by two 36-inch overshoot pipes, and this project plan will increase that capacity and reduce the associated detention times behind the dike by adding four additional pipes over the canal to increase drain time.

JUSTIFICATION: Dike 2 was nearly overtopped in a large storm in 2000 and again in 2010 and the insufficient height of the dike was obvious. Increasing the height of the dike was determined to be a necessity, and a study was undertaken to determine any additional improvements that must be constructed to provide a sufficient level of protection for the CAP canal. This project is necessary to protect the canal from the dike failing and potentially breaching the canal.

OPERATING IMPACT: The dike embankment provides critical protection to the CAP canal from flood waters in Centennial Wash. Flooding risks include dike and concrete liner damage as well as debris and sediment in the siphon.

SOCIAL IMPACT: This construction will mitigate flooding issues. Flooding into the canal can cause delay in water deliveries due to repair outages as well as negatively impacting water quality for downstream customers. Flood waters entering CAP's aqueduct decrease CAP water quality.

ENVIRONMENTAL IMPACT: After construction is finished, the surrounding area will be returned to the natural desert environment.

INDUSTRIAL WATER TREATMENT AT PUMPING PLANTS

STRATEGY: Effectively Manage, Operate and Maintain CAP Assets
KEY RESULT AREA: Project Reliability
PROJECT #: 610466 and 610472
START DATE: 1st Quarter 2014
COMPLETION DATE: 1st Quarter 2017
TOTAL PROJECT COST: \$ 3,574,700
FUNDING SOURCE: "Big R"

FINANCIAL IMPACT / COST ESTIMATE (IN \$000s):

Total	Pre-2014	2014	2015	2016	2017	2018	2019	Balance
\$ 3,574.7	\$ -	\$ 348.5	\$ 1,659.4	\$ 1,547.7	\$ 19.1	\$ -	\$ -	\$ -

DESCRIPTION: This project will provide a reliable stuffing box water system with reduced maintenance. The maintenance of pressure and water quality for the stuffing box water is the backbone of the reliability of the pumps. This project reviews the current configuration of plant water systems' supply with the goal of segregating the stuffing box water and its required filtration from the remaining systems. Major components of construction are to remove filters, relocate or replace new piping upstream and downstream of filters, pumps, tie systems into existing switches thru the plant Programmable Logic Controller (PLC), and test and commission the new system.

JUSTIFICATION: Current configuration is increasing maintenance and decreasing reliability of aging and obsolete pumping plant equipment.

	Total	Pre-2014	2014	2015	2016	2017	2018
Brady, Picacho & Red Rock	\$ 2,764.2	\$ -	\$ 228.1	\$ 1,243.4	\$ 1,273.6	\$ 19.1	\$ -
Brawley & San Xavier	810.5	-	120.4	416.0	274.1	-	-
	<u>\$ 3,574.7</u>	<u>\$ -</u>	<u>\$ 348.5</u>	<u>\$ 1,659.4</u>	<u>\$ 1,547.7</u>	<u>\$ 19.1</u>	<u>\$ -</u>

OPERATING IMPACT: The new system will improve operational availability and extend the life of pump stuffing boxes and shaft sleeves. Maintenance costs will be reduced.

SOCIAL IMPACT: This project improves the reliability of equipment for customer deliveries and decreases risk of unplanned outages.

ENVIRONMENTAL IMPACT: Provides required quality levels for plant water systems.

LCI DRIVE CONTROL REPLACEMENT AT WADDELL

STRATEGY:	Effectively Manage, Operate and Maintain CAP Assets	START DATE:	1 st Quarter 2014
KEY RESULT AREA:	Project Reliability	COMPLETION DATE:	2 nd Quarter 2015
PROJECT #:	610462	TOTAL PROJECT COST:	\$ 1,560,500
		FUNDING SOURCE:	"Big R"

FINANCIAL IMPACT / COST ESTIMATE (IN \$000s):

Total	Pre-2014	2014	2015	2016	2017	2018	2019	Balance
\$ 1,560.5	\$ -	\$ 1,139.1	\$ 421.4	\$ -	\$ -	\$ -	\$ -	\$ -

DESCRIPTION: The scope of this project will be to replace the existing Directo-Matic drive controls on units 1, 4, 5 and 8 with the new Toshiba Mitsubishi-Electric Industrial Systems Corporation (TMEiC) Load Commulated Inverter (LCI) Control. This style of drive is unique so there is no workaround or temporary fix that will allow the equipment to operate. The current GE LCI variable speed drives were installed when Waddell was commissioned 20 years ago. GE has since branched off and TMEiC has taken over the upgrading of LCI drives.

JUSTIFICATION: Replacing the entire system consisting of motors, transformers and drives, to accommodate for a medium voltage Variable Frequency Drive (VFD) system would be extremely costly. The LCI drive electronics technology is already obsolete and has been for years; the drive style currently in use is a style no longer produced by GE or its counterpart, TMEiC.

OPERATING IMPACT: The new LCI controls will improve reliability of delivery systems and equipment. It will also reduce maintenance cost and risk associated with unplanned outages and unit shutdowns.

SOCIAL IMPACT: Reliable equipment is required to insure CAP's ability to make timely deliveries to customers.

ENVIRONMENTAL IMPACT: There is no significant environmental impact with this project.

MOBILE RADIO SYSTEM REPLACEMENT

STRATEGY:	Effectively Manage, Operate and Maintain CAP Assets	START DATE:	1 st Quarter 2014
KEY RESULT AREA:	Project Reliability	COMPLETION DATE:	4 th Quarter 2015
PROJECT #:	610463	TOTAL PROJECT COST:	\$ 2,276,500
		FUNDING SOURCE:	"Big R"

FINANCIAL IMPACT / COST ESTIMATE (IN \$000s):

Total	Pre-2014	2014	2015	2016	2017	2018	2019	Balance
\$ 2,276.5	\$ -	\$ 192.7	\$ 2,083.8	\$ -	\$ -	\$ -	\$ -	\$ -

DESCRIPTION: CAP's existing Mobile Radio System was procured and installed in 2003-2004, and was designed to provide two-way voice, emergency communications and a fleet management tracking system (AVL) for CAP personnel from Lake Havasu to Tucson.

This project replaces the existing OpenSky system with an equivalent industrial grade radio system. Typical equipment to be installed at a repeater site would include a single rack consisting of two repeaters, a site controller, switch and radio frequency (RF) combining equipment. New dispatch consoles and an AVL server would be installed in the control room and protective services. The existing mobile and portable devices will be replaced.

JUSTIFICATION: A Mobile Communications Tool is an integral part of CAP safety and productivity, providing reliable communications for Operations, Security and Maintenance field employees. It also is a critical piece of CAP's communication infrastructure and recovery process in the event of an emergency. The primary benefits of upgrading to a new system are the low cost mobile and portable radios, an improved AVL system and the elimination of the expensive server and software.

OPERATING IMPACT: CAP employees benefit from having robust and specifically designed coverage to meet our coverage requirements. CAP employees understand the radios simple emergency call button procedure thus creating a safer work environment.

SOCIAL IMPACT: An efficient and dependable radio system will increase CAP's ability to maintain and operate the CAP canal for continued water deliveries and customer satisfaction.

ENVIRONMENTAL IMPACT: There is no significant environmental impact with this project.

MOTOR EXCITER AND CONTROL UNIT REPLACEMENT AT PUMPING PLANTS

STRATEGY: Effectively Manage, Operate and Maintain CAP Assets START DATE: 4th Quarter 2012
 KEY RESULT AREA: Project Reliability COMPLETION DATE: 1st Quarter 2018
 PROJECT #: 610420 / 610458 / 610465 TOTAL PROJECT COST: \$ 11,023,900
 Funding Source: "Big R"

FINANCIAL IMPACT / COST ESTIMATE (IN \$000s):

Total	Pre-2014	2014	2015	2016	2017	2018	2019	Balance
\$ 11,023.9	\$ 794.7	\$ 1,660.2	\$ 640.2	\$ 6,250.7	\$ 1,117.0	\$ 561.1	\$ -	\$ -

DESCRIPTION: This project replaces the existing pump motor brushless exciters with brushless, three-phase, exciter generators and rotating exciter wheel/electronics. It replaces the existing exciter voltage regulator and protection relays with the integrated electronic exciter controllers that are utilized at the Brawley and San Xavier plants.

The project scope is the replacement of the static exciters with modern equivalents. The upgraded digital exciter system will also provide an excitation controller and convection cooled rectifier bridge assembly. It will be mounted, wired and tested in a NEMA 1 Control/ Rectifying cubicle and wired to the existing transformer. The excitation digital controller will provide voltage regulation, true RMS sensing, var and power factor control, dual settings groups and additional features.

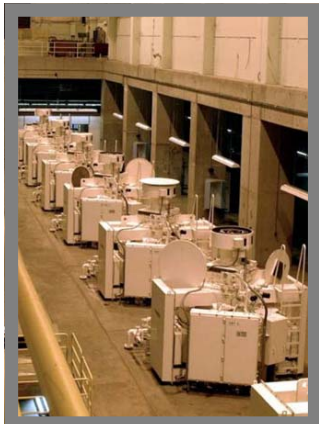
JUSTIFICATION: Exciters are at the end of their operational life. The exciters and controls are obsolete and failing. The original manufacturer is no longer in business therefore support is no longer available.

	Total	Pre-2014	2014	2015	2016	2017	2018
Brady, Picacho & Red Rock	\$ 2,509.5	\$ 794.7	\$ 1,660.2	\$ 54.6	\$ -	\$ -	\$ -
West Pumping Plants	6,085.5	-	-	290.1	4,174.7	1,059.6	561.1
Waddell	2,428.9	-	-	295.5	2,076.0	57.4	-
	<u>\$ 11,023.9</u>	<u>\$ 794.7</u>	<u>\$ 1,660.2</u>	<u>\$ 640.2</u>	<u>\$ 6,250.7</u>	<u>\$ 1,117.0</u>	<u>\$ 561.1</u>

OPERATING IMPACT: Construction may cause outages along the canal. The timing of construction will be synchronized with planned outages and low volume months. Replacement of exciters is required for reliable operation of pump motors.

SOCIAL IMPACT: Increased operating efficiency supports dependability of CAP water deliveries to customers.

ENVIRONMENTAL IMPACT: Replacement of pump motor exciters will improve the operational efficiency of pump motors reducing energy use.



PROJECTS UNDER \$250,000

STRATEGY:	Effectively Operate and Maintain the System	START DATE:	Various
KEY RESULT AREA:	Project Reliability	COMPLETION DATE:	Various
PROJECT #:	Various	TOTAL PROJECT COST:	N/A
		FUNDING SOURCE:	"Big R"

FINANCIAL IMPACT / COST ESTIMATE (IN \$000s):

Total	Pre-2014	2014	2015	2016	2017	2018	2019	Balance
N/A	\$ -	\$ 562.7	\$ 468.7	\$ 637.0	\$ 656.0	\$ 675.0	\$ 696.0	\$ -

DESCRIPTION: Projects under \$250,000 fall below the PSC formal review and approval process, but are monitored for budget purposes. The following are some of the projects that fall under this category:

	2014	2015
Engineering Mini Projects	\$ 412.7	\$ 318.7
Storage building upgrades - Tucson field office		
Parking lot improvements - Tucson field office and Salt Gila		
Message boards & gate control - Waddell and Salt Gila		
Front entrance sign replacement - Headquarters		
IT Mini Projects	150.0	150.0
Total	\$ 562.7	\$ 468.7

JUSTIFICATION: These projects are anticipated to receive PSC review and approval of waivers. The individual projects will be tracked for budget and schedule compliance.

OPERATING IMPACT: Individually Considered

SOCIAL IMPACT: Individually Considered

ENVIRONMENTAL IMPACT: Individually Considered

SERVER ROOM AND MULTIFUNCTION SPACE

STRATEGY:	Effectively Manage, Operate and Maintain CAP Assets	START DATE:	1 st Quarter 2014
KEY RESULT AREA:	Project Reliability	COMPLETION DATE:	3 rd Quarter 2016
PROJECT #:	610450	TOTAL PROJECT COST:	\$ 6,507,200
		FUNDING SOURCE:	"Big R"

FINANCIAL IMPACT / COST ESTIMATE (IN \$000s):

Total	Pre-2014	2014	2015	2016	2017	2018	2019	Balance
\$ 6,507.2	\$ -	\$ 489.2	\$ 3,090.8	\$ 2,927.2	\$ -	\$ -	\$ -	\$ -

DESCRIPTION: Server Room: The current building infrastructure is not able to provide additional capacity needed for future growth. IT estimates CAP's information systems will continue to grow 30-80% each year. A space study indicated the existing Board Room would be a desirable location to build a new Server Room due to the ease of access to commercial power and carrier circuits.

Multi-function Space: The existing Board Room has a size constraint of a maximum of 125 persons in the room at one time and is lacking in technology/ infrastructure that is needed to properly broadcast the meetings to the general public. The space study cited the unused cafeteria and under-utilized conference room space in Building 2 as a suitable location to retrofit a new multi-function space on campus. A portion of the multi-function space would serve as the new Board Room.

Moving the Server Room into the existing Board Room and consequently creating a multi-function area in the under-utilized space in Building 2 is the best alternative for CAP due to the following reasons: it supports CAP's long-term growth objectives (for both capacity and technology), it allows the unutilized cafeteria space to be altered into conference room space for "break out meetings" that occur for the CAP Board, the construction would not be complex, the HVAC/Electrical distribution upgrades would be minimal and less expensive, it would not cause any additional maintenance considerations and displacement of employees would be minimal.

JUSTIFICATION: As CAP headquarters ages, long-term planning is required to address space/ infrastructure issues. Technology is used to support all employee activities, and almost all projects have network connectivity, server, storage or IT security requirements. Utilizing the existing Board Room space and creating a multi-function area allows for the future growth and long term objectives of CAP.

OPERATING IMPACT: The expanded server space will add to CAP's ability to provide up-to-date technology to its users. The new multi-function space allows more efficient use of CAP's existing buildings for Board meetings and other public meetings.

SOCIAL IMPACT: The larger multi-functional space will allow more of CAP's constituents to attend the CAP Board and public meetings.

ENVIRONMENTAL IMPACT: There is no significant environmental impact with this project.

SIPHON FIBER OPTIC MONITORING SYSTEM

STRATEGY:	Effectively Manage, Operate and Maintain CAP Assets	START DATE:	3 rd Quarter 2012
KEY RESULT AREA:	Project Reliability	COMPLETION DATE:	1 st Quarter 2014
PROJECT #:	610423	TOTAL PROJECT COST:	\$ 2,197,600
		FUNDING SOURCE:	"Big R"

FINANCIAL IMPACT / COST ESTIMATE (IN \$000s):

Total	Pre-2014	2014	2015	2016	2017	2018	2019	Balance
\$ 2,197.6	\$ 776.3	\$ 1,421.3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

DESCRIPTION: This project installs acoustic fiber-optic monitoring systems in the three non-cylinder pre-stressed concrete pipe siphons at Centennial, Jackrabbit and Hassayampa River.

JUSTIFICATION: An acoustical monitoring system detects and reports pre-stressed wire break events. The recording and identification of the breaking wires show a degradation in pipe strength that acts to resist the forces from internal hydraulic pressures and external loading that the siphon experiences. The existing acoustical monitoring system is not entirely reliable and uses an obsolete hydrophone technology. Acoustic fiber-optic systems provide a new and more accurate monitoring technology that has been successfully deployed on similar pipeline systems.

OPERATING IMPACT: Fiber-optics improve operating efficiency and increases reliability in the monitoring system reducing the possibility of equipment malfunction and system outages.

SOCIAL IMPACT: This project allows CAP to continue to deliver water with reliability and cost-effectiveness. The new system mitigates risk of failure and subsequent outage impacts to customers. Planned and controlled outages are more favorable than reactive, unplanned outages.

ENVIRONMENTAL IMPACT: The new system increases CAP’s ability to do preventative maintenance rather than reactive maintenance, decreasing the possibility of negative environmental impacts due to system malfunctions.



SITE DRAINAGE CORRECTION AT HEADQUARTERS

STRATEGY:	Effectively Manage, Operate and Maintain CAP Assets	START DATE:	1 st Quarter 2013
KEY RESULT AREA:	Project Reliability	COMPLETION DATE:	2 nd Quarter 2015
PROJECT #:	610416	TOTAL PROJECT COST:	\$ 1,386,400
		Funding Source:	"Big R"

FINANCIAL IMPACT / COST ESTIMATE (IN \$000s):

Total	Pre-2014	2014	2015	2016	2017	2018	2019	Balance
\$ 1,386.4	\$ 92.7	\$ 894.8	\$ 398.9	\$ -	\$ -	\$ -	\$ -	\$ -

DESCRIPTION: During large rain events, the storm runoff is not contained within the property at CAP headquarters. Additionally, there are some low spots around CAP headquarters which are prone to local flooding and deposition of silt. CAP headquarters has three main retention basins (two outside of Building 1 and one outside of the Machine Shop), which may not be sized to capture the prescribed storm event, or proper drainage paths are not established to convey the storm water to the basins. This project will review the existing site conditions and storm events to define the improvements necessary to correct the noted drainage issues.

JUSTIFICATION: County regulations require that sufficient on-site storm water retention be provided to capture the runoff water created by a two-hour, 100-year storm event. CAP's current retention basins and drainage paths do not fully comply with this requirement.

OPERATING IMPACT: Improving site drainage at headquarters will improve CAP's operational ability during periods of heavy storms.

SOCIAL IMPACT: Correction of the system will reduce the possibility of storm water from CAP's property leaving the site and impacting other property owners.

ENVIRONMENTAL IMPACT: Compliance with local environmental drainage policies and standards aligns with CAP's environmental stewardship.



STATION SERVICE BATTERY CHARGER REPLACEMENT

STRATEGY: Effectively Manage, Operate and Maintain CAP Assets
START DATE: 1st Quarter 2014
KEY RESULT AREA: Project Reliability
COMPLETION DATE: 4th Quarter 2015
PROJECT #: 610469
TOTAL PROJECT COST: \$ 2,025,800
FUNDING SOURCE: "Big R"

FINANCIAL IMPACT / COST ESTIMATE (IN \$000s):

Total	Pre-2014	2014	2015	2016	2017	2018	2019	Balance
\$ 2,025.8	\$ -	\$ 637.5	\$ 1,388.3	\$ -	\$ -	\$ -	\$ -	\$ -

DESCRIPTION: The scope of this project is to replace the station service battery chargers and the individual protection and metering devices with a single integrated protection and metering device in all CAP plants. All components of the new system will include a communication capability (e.g., SCADA) system. The system will consist of two redundant battery charger/eliminators and a single metering and protection device. Because the chargers are redundant, the system can remain in service while the equipment is replaced.

JUSTIFICATION: The battery chargers, metering and protection system equipment should be replaced prior to the end of their life span. The system is near the point at which obtaining replacement parts is not possible. This project will upgrade the battery chargers and the metering and protection equipment to safely operate the plants. The new system will provide more functionality than is now available, including battery monitoring and communication with the SCADA system.

OPERATING IMPACT: The replacement of the station batteries will have minimal operating impact during the construction phase. Overall, the station service battery system is required for reliable plant operations in the event of a power failure.

SOCIAL IMPACT: Replacing the battery system will reduce the risk of interruption to station service power allowing the continued deliveries to customers.

ENVIRONMENTAL IMPACT: A new battery system optimizes energy utilization.

SUMP PUMP WATER LEVEL CONTROLS AT PUMPING PLANTS

STRATEGY:	Effectively Manage, Operate and Maintain CAP Assets	START DATE:	1 st Quarter 2015
KEY RESULT AREA:	Project Reliability	COMPLETION DATE:	4 th Quarter 2016
PROJECT #:	610473	TOTAL PROJECT COST:	\$ 745,700
		FUNDING SOURCE:	"Big R"

FINANCIAL IMPACT / COST ESTIMATE (IN \$000s):

<i>Total</i>	<i>Pre-2014</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>Balance</i>
\$ 745.7	\$ -	\$ -	\$ 256.9	\$ 488.8	\$ -	\$ -	\$ -	\$ -

DESCRIPTION: The Sump Pump Water Level Controls Project will replace the existing float systems with PLC level controls driven from ultrasonic level sensors.

A small stand-alone PLC will be installed to provide sump pump controls. It will take in the level signal from the ultrasonic sensor and turn on the sump pumps as required. It will also replicate the alarms and plant trips currently pulled from mercoid switches on the existing float system. Pump lead-lag control and the pump motor starters will be controlled from the PLC. The PLC and ultrasonic sensor will be powered from an uninterrupted/backed up power source to ensure there is no disruption to the sump pump controls. To help Maintenance identify sump pump performance, the PLC will approximate pump flows based on sump pit draw-down rates when the pumps are running.

JUSTIFICATION: Existing equipment is obsolete.

OPERATING IMPACT: The new system will increase plant operational reliability by reducing risk of sump overflow. Maintenance costs are anticipated to be less over time compared to the existing float-actuated units.

SOCIAL IMPACT: There is no significant social impact with this project.

ENVIRONMENTAL IMPACT: There is no significant environmental impact with this project.

SUPERSTITION MOUNTAIN RECHARGE PROJECT

PHASE 2

STRATEGY: Effectively Manage, Operate and Maintain CAP Assets
START DATE: 1st Quarter 2014
KEY RESULT AREA: Project Reliability
COMPLETION DATE: 2nd Quarter 2017
PROJECT #: 610474
TOTAL PROJECT COST: \$ 22,001,000
FUNDING SOURCE: Recharge

FINANCIAL IMPACT / COST ESTIMATE (IN \$000s):

Total	Pre-2014	2014	2015	2016	2017	2018	2019	Balance
\$ 22,001.0	\$ -	\$ 101.7	\$ 1,145.4	\$ 6,993.0	\$ 13,570.1	\$ 190.8	\$ -	\$ -

DESCRIPTION:

Superstition Mountain Recharge Project (SMRP) was initially designed by CAP in two phases, north and south of Queen Creek. Each can be constructed independent of the other. The north and south sites require a pump station that lifts water over Sonoqui Dike for delivery to the basins. The pump stations contain variable speed pumps that are mounted over the canal on a bridge that will be constructed as part of the project. The water is conveyed through pressurized pipe to the basin inlet structures where motor operated valves control flow into the basins.



Phase 1 is what is currently built and consists of two basins totaling approximately 40 acres and is constructed solely on BOR land; Phase 2 is the original design to have 156 acres of basins on both the north and south sides of the Queen Creek drainage, which includes the State Trust land. The ADWR USF permit was modified accordingly, with Phase 1 permitted for 25,000 AF/year and Phase 2 permitted for 56,500 AF/year. Phase 1 became operational in July 2011.

JUSTIFICATION:

Groundwater recharge capacity. SMRP consists of spreading basins that will percolate water into the aquifer.



OPERATING IMPACT:

The additional recharge will add operational costs after construction is complete. This impacts the groundwater recharge program with more capacity to recharge Colorado River water when needed.

SOCIAL IMPACT:

Groundwater recharge sites are critical to managing the groundwater recharge program for the benefit of groundwater users and aquifer replenishment.

ENVIRONMENTAL IMPACT:

The surrounding areas will be returned to the original desert environment. The aquifer will be replenished.

TRANSMISSION LINE REBUILD ED2 TO SAGUARO

STRATEGY:	Effectively Manage, Operate and Maintain CAP Assets	START DATE:	4 th Quarter 2013
KEY RESULT AREA:	Project Reliability	COMPLETION DATE:	2 nd Quarter 2017
PROJECT #:	610475	TOTAL PROJECT COST:	\$ 10,714,000
		FUNDING SOURCE:	"Big R"

FINANCIAL IMPACT / COST ESTIMATE (IN \$000s):

<i>Total</i>	<i>Pre-2014</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>Balance</i>
\$ 10,714.0	\$ 294.0	\$ 1,469.0	\$ 4,261.0	\$ 2,633.0	\$ 2,057.0	\$ -	\$ -	\$ -

DESCRIPTION: The ED2-Saguaro (ED2-SGR) transmission line is located in southern Arizona just south of the City of Casa Grande. The line was constructed in 1984 and extends for 35.6 miles from the Electrical District 2 (ED2) Substation to Saguaro Switchyard. The line operates at 115-kV and supplies power to three pumping stations along its route. This transmission line has experienced four major failures over the past three years which is responsible for bringing down large portions of the lines' support structures. The last failure occurred during the summer of 2012, which brought down a total of 28 structures spanning across a three-mile section of the line.

This project would replace the entire line with new steel monopoles. The addition of new steel structures with their increased structural capacity would decrease the number of outages on the line caused by fallen support structures. This upgrades the electric grid reliability of the system and will avert possible violations from the North American Electric Reliability Corporation (NERC) and the Western Electricity Coordinating Council (WECC) standards.

JUSTIFICATION: Failure of the current single wooden pole structure continues to be a threat to CAP power needs and operational ability.

OPERATING IMPACT: The replacement of the wooden transmission poles will increase CAP's ability to transmit power needed for the efficient operation of the CAP system. Unexpected operational costs for repairs of downed power lines will decrease due to the stronger, more wind-resistant steel poles.

SOCIAL IMPACT: The stronger steel poles will improve CAP's ability to continue water deliveries through the CAP canal during changes in the weather.

ENVIRONMENTAL IMPACT: An environmental assessment will be performed prior to construction to ensure compliance with applicable regulations. The more durable steel poles will be less likely to fail which is safer for Arizona wildlife.

TRASH RAKE INSTALLATION AT MARK WILMER PUMPING PLANT

STRATEGY:	Effectively Manage, Operate and Maintain CAP Assets	START DATE:	2 nd Quarter 2014
KEY RESULT AREA:	Project Reliability	COMPLETION DATE:	2 nd Quarter 2017
PROJECT #:	610476	TOTAL PROJECT COST:	\$ 6,561,900
		FUNDING SOURCE:	"Big R"

FINANCIAL IMPACT / COST ESTIMATE (IN \$000s):

Total	Pre-2014	2014	2015	2016	2017	2018	2019	Balance
\$ 6,561.9		\$ 169.2	\$ 3,195.1	\$ 3,183.3	\$ 14.3	\$ -	\$ -	\$ -

DESCRIPTION: A weed removal study at Mark Wilmer pumping plant recommended the construction of an automated trash rake system. This project consists of the installation of a reliable trash rake system at Mark Wilmer within the constraints of the project budget.

JUSTIFICATION: There have been ongoing weed problems at Mark Wilmer since 2008. The Mark Wilmer pumping plant is the only plant in the CAP aqueduct system without an automated trash rake system. The lack of trash rakes allow trash, weeds and other debris to accumulate onto the trash racks which lead to a decrease in efficiency and cause failure of the equipment. Trash rack failure events have already occurred due to the volume of weed loading against the rack structure. During seasons of heavy weed loading, the weed boats are not powerful enough to remove all the weeds.



OPERATING IMPACT: Heavy weed loading causes significant operating restrictions and failure of trash racks. Significant labor demand is required for weed removal activities. The efficient removal of weeds from the aqueduct at Mark Wilmer will reduce employee maintenance hours.

SOCIAL IMPACT: Removal of weeds with the weed boat requires aqueduct crews to patrol the inlet channel at night using lights to remove weeds. Successful weed removal impacts Colorado River diversion volumes.

ENVIRONMENTAL IMPACT: A new trash rake system will remove weeds and allow unrestricted water flow and improved utilization of energy.



UPS SYSTEM REPLACEMENT AT PUMPING PLANTS

STRATEGY:	Effectively Manage, Operate and Maintain CAP Assets	START DATE:	1 st Quarter 2012
KEY RESULT AREA:	Project Reliability	COMPLETION DATE:	1 st Quarter 2014
PROJECT #:	610426	TOTAL PROJECT COST:	\$ 2,729,800
		FUNDING SOURCE:	"Big R"

FINANCIAL IMPACT / COST ESTIMATE (IN \$000s):

<i>Total</i>	<i>Pre-2014</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>Balance</i>
\$ 2,729.8	\$ 2,312.2	\$ 417.6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

DESCRIPTION: The existing electrical DC distribution system is being replaced by a single consolidated DC distribution system that supplies backup power to all of the auxiliary systems for a period of 24 hours from a single battery bank.

JUSTIFICATION: The existing uninterruptible power supply (UPS) units at the pumping plants have a 10- to 20-minute power supply available when normal station power is lost. Once the UPS power supply quits, the pumping plants lose communications, security and other services if the emergency generator fails. The current standby time is not adequate to mobilize and address power supply issues at a pumping plant. Also, the existing system has multiple distributed UPS units that are difficult to maintain and do not have a uniform standby time.

OPERATING IMPACT: The new system will be more cost-effective to maintain and more reliable for CAP operational use. Backup power supply is critical to operating systems in the event of emergency power failures and allows plant personnel to respond and reduce pumping plant downtime.

SOCIAL IMPACT: Safety and security are increased by having a system that adequately addresses the backup power needs at the pumping plants.

ENVIRONMENTAL IMPACT: CAP's carbon footprint is decreased by having a consolidated battery system.

URBAN FENCING ENCROACHMENT

STRATEGY:	Effectively Manage, Operate and Maintain CAP Assets	START DATE:	3 rd Quarter 2012
KEY RESULT AREA:	Project Reliability	COMPLETION DATE:	2 nd Quarter 2017
PROJECT #:	610415	TOTAL PROJECT COST:	\$ 680,300
		FUNDING SOURCE:	"Big R"

FINANCIAL IMPACT / COST ESTIMATE (IN \$000s):

Total	Pre-2014	2014	2015	2016	2017	2018	2019	Balance
\$ 680.3	\$ 276.8	\$ 403.5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

DESCRIPTION: This project consists of building approximately 13 miles of four-strand barbed-wire fence to protect and define CAP's property and the green-up areas along the canal. This phase extends from the New River Siphon outlet to 7th Street.

JUSTIFICATION: It is in CAP's best interest to pursue fencing CAP's green-up area in a planned manner to address security, dumping, parallel property encroachments and potential vandalism issues.

OPERATING IMPACT: No additional operating impact.

SOCIAL IMPACT: The fence installation could be adjacent to some homes and disrupt some unofficial trails used by recreational motorists. Fencing CAP's property decreases vandalism and destruction of property.

ENVIRONMENTAL IMPACT: The fence will deter the dumping of trash and debris on CAP land protecting the surrounding ecosystems.



WADDELL RIVER OUTLET WORKS (ROW)

STRATEGY: Effectively Manage, Operate and Maintain CAP Assets

START DATE: 3rd Quarter 2014

KEY RESULT AREA: Project Reliability

COMPLETION DATE: 2nd Quarter 2015

PROJECT #: 610479

TOTAL PROJECT COST: \$ 576,700

FUNDING SOURCE: "Big R"

FINANCIAL IMPACT / COST ESTIMATE (IN \$000s):

Total	Pre-2014	2014	2015	2016	2017	2018	2019	Balance
\$ 576.7		\$ 157.8	\$ 418.9	\$ -	\$ -	\$ -	\$ -	\$ -

DESCRIPTION: Given the current operation and maintenance practices at the Waddell ROW, management from the BOR, CAP and Maricopa Water District (MWD) determined that several improvements to the ROW are needed to correct existing deficiencies. This project adds several security features and operational improvements.

JUSTIFICATION: The Waddell ROW is designed to release water from Lake Pleasant to Hank Raymond Lake, the lower lake, in the event of a flood or necessary evacuation releases. Knowing that the Waddell ROW has the capability to drain water from CAP's main operating reservoir emphasizes the additional factor of importance in keeping the operation, maintenance and security of the ROW up-to-date.



OPERATING IMPACT: The project will allow CAP to increase control over operations and management of flood and evacuation releases.

SOCIAL IMPACT: This project enhances CAP's ability to protect CAP's assets and the surrounding areas.

ENVIRONMENTAL IMPACT: There is no additional environmental impact once construction is complete.



WATER BLAST AREA RELOCATION AT HEADQUARTERS

STRATEGY:	Effectively Manage, Operate and Maintain CAP Assets	START DATE:	1 st Quarter 2014
KEY RESULT AREA:	Project Reliability	COMPLETION DATE:	2 nd Quarter 2015
PROJECT #:	610477	TOTAL PROJECT COST:	\$ 536,000
		FUNDING SOURCE:	"Big R"

FINANCIAL IMPACT / COST ESTIMATE (IN \$000s):

<i>Total</i>	<i>Pre-2014</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>Balance</i>
\$ 536.0		\$ 505.4	\$ 30.6	\$ -	\$ -	\$ -	\$ -	\$ -

DESCRIPTION: This project will include design and construction of a new area for high pressure water blasting and installing utilities for the water blasting equipment.

JUSTIFICATION: The present system of double handling large pieces, such as radial gates to accommodate water blasting in the core yard area, is inefficient. Due to the remote area with no overhead crane, a mobile crane must be scheduled to turn the gates to access both sides. There is adequate room adjacent to the blast booth for the water blasting area which can be serviced by the cart rails for moving heavy pieces. The scope of this project is to modify this area for water blasting.

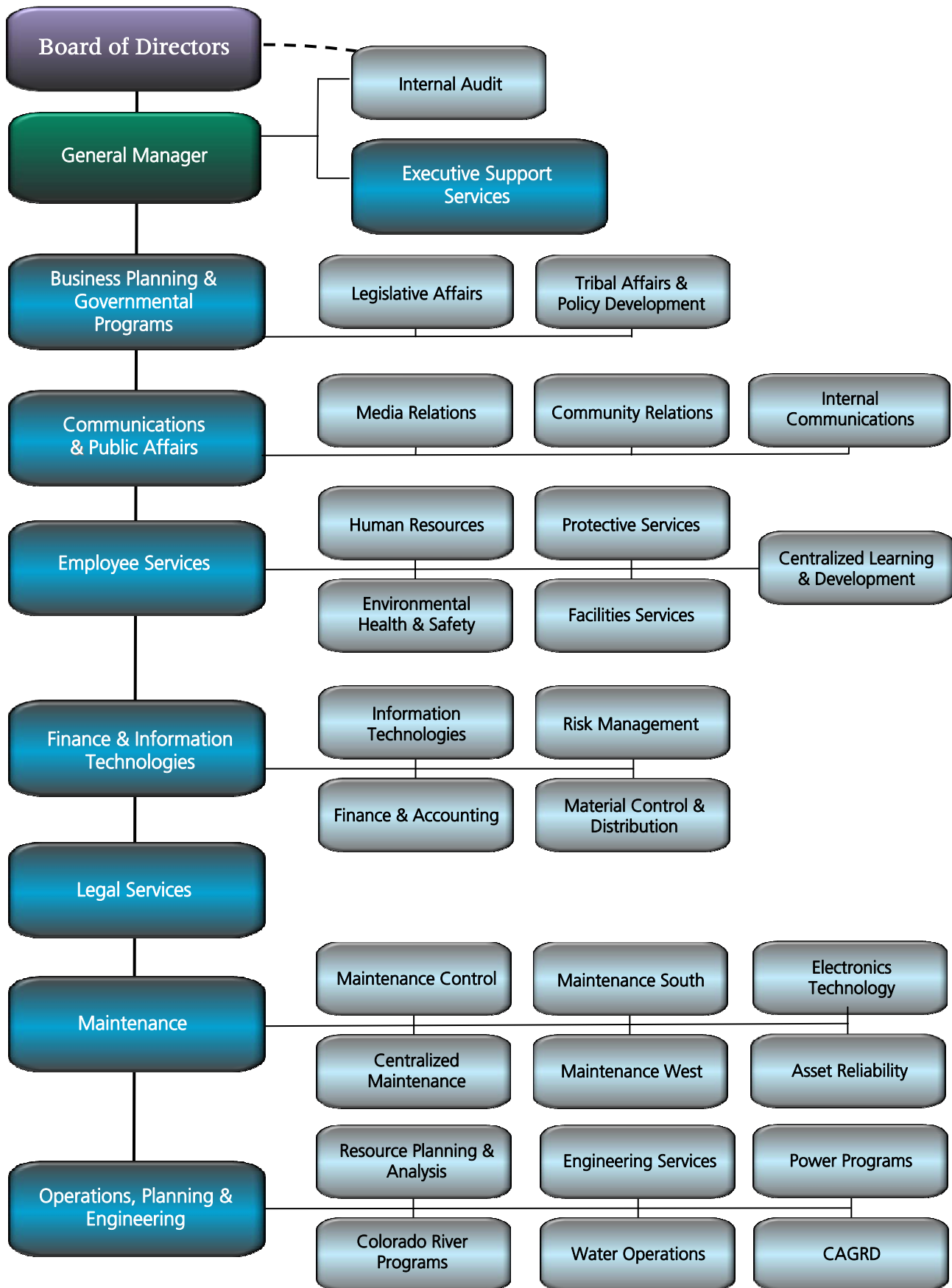
OPERATING IMPACT: Upon project completion, CAP will have a high pressure water jetting work area adjacent to the blast booth accessible to the cart rail system. This work space is more efficient and will reduce operational costs.

SOCIAL IMPACT: This relocation will provide a safe and efficient way of handling material by CAP employees.

ENVIRONMENTAL IMPACT: CAP will use less fuel when moving large pieces of machinery.

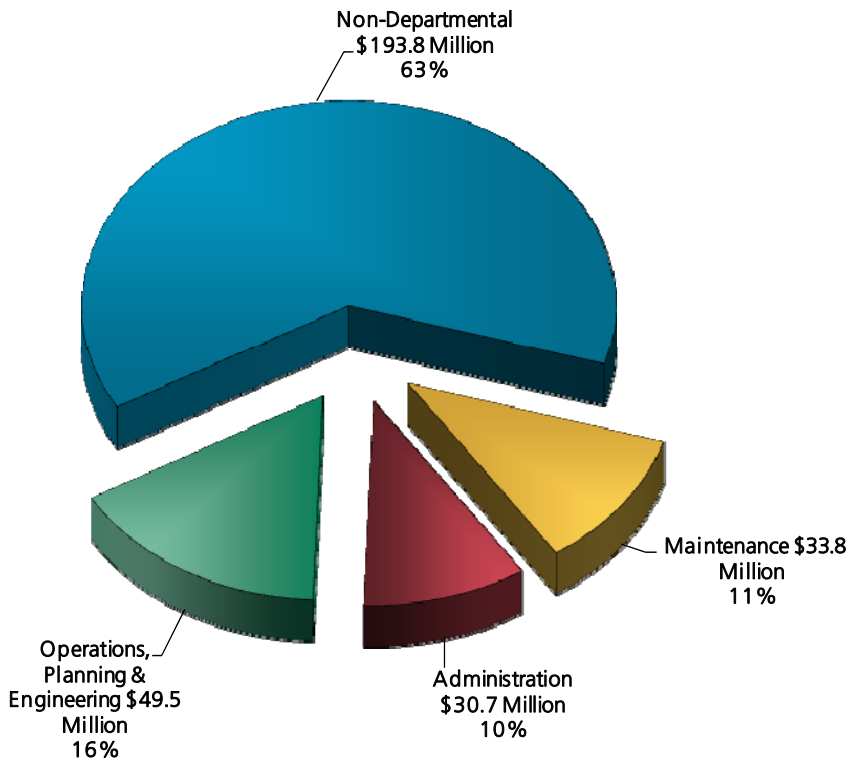


TABLE OF ORGANIZATION

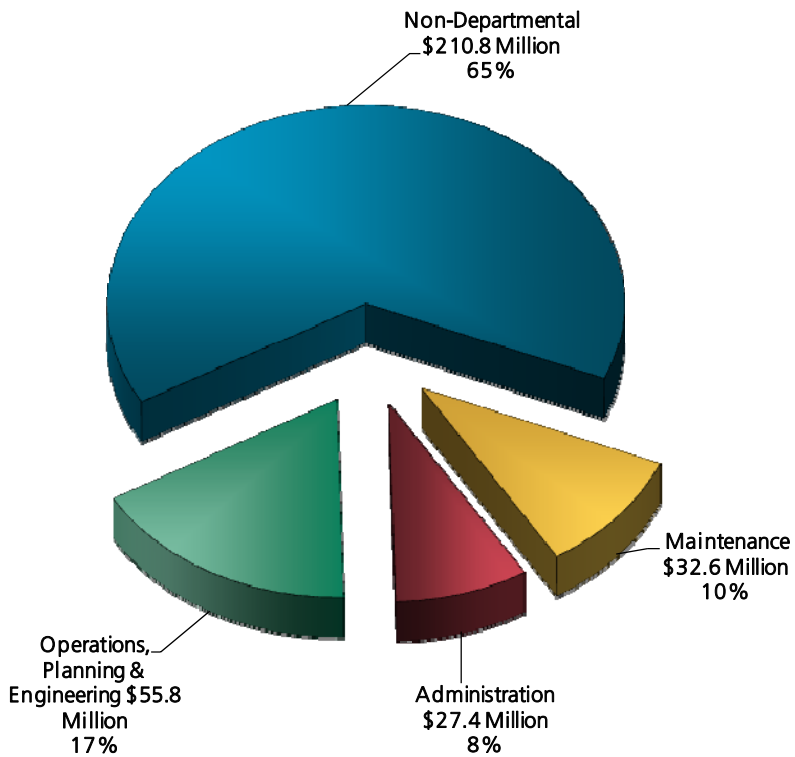


TOTAL EXPENDITURES

2014



2015



TOTAL EXPENDITURES

FIGURE 1
Administration
(2014 - \$30.7 Million; 2015 - \$27.4 Million)

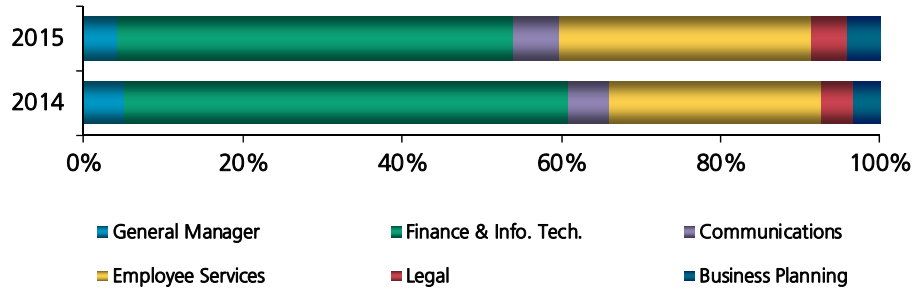


FIGURE 2
Operations, Planning & Engineering
(2014 - \$49.5 Million; 2015 - \$55.8 Million)

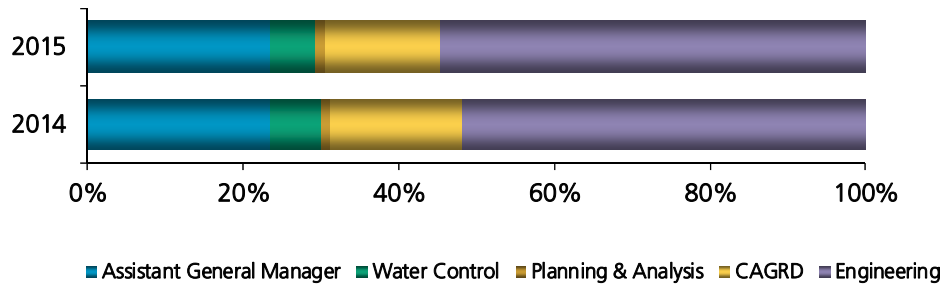


FIGURE 3
Maintenance
(2014- \$33.8 Million; 2015 - \$32.6 Million)

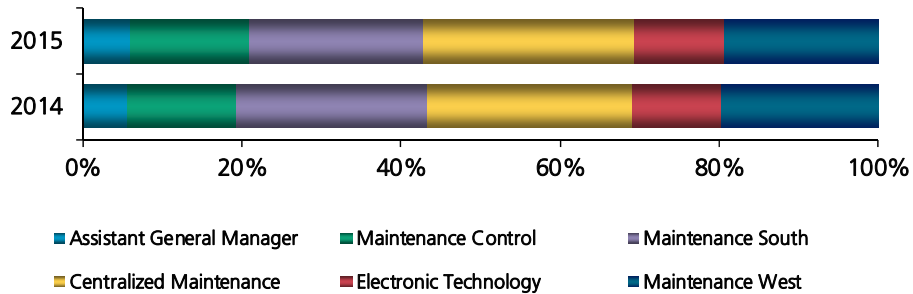
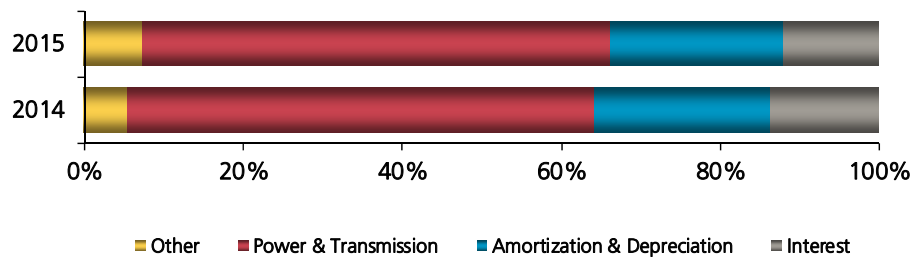


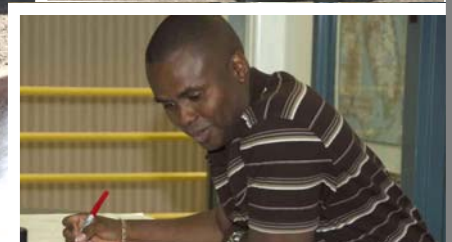
FIGURE 4
Non-Departmental
(2014 - \$193.8 Million; 2015 - \$210.8 Million)



Our Beliefs

Central Arizona Project Employees work with pride to create a safe, supportive and friendly workplace. We believe in:

- Employees who are reliable and principled
- Service that is top notch for our internal and external customers
- Work done professionally and responsively
- Relationships among employees and customers that are collaborative and innovative
- Community connections through volunteerism, charitable contributions and public education



SUMMARY OF POSITIONS

Average Full-Time Equivalent (FTE)

	2011 Actuals	2012 Actuals	2013 Projected	2014 Budget	2015 Budget
General Manager	3.3	3.0	3.0	5.0	5.0
Business Planning & Governmental Programs	4.9	4.6	5.0	5.0	5.0
Communications & Public Affairs	9.9	10.0	9.9	8.0	8.0
Employee Services					
Assistant General Manager	2.0	3.0	2.7	3.0	3.0
Human Resources	6.5	6.8	7.4	6.5	6.5
Safety & Health	6.0	6.0	4.9	5.0	5.0
Environmental	4.0	4.0	4.0	4.0	4.0
Protective Services	9.8	10.0	9.9	10.0	10.0
Facilities Services	9.4	8.6	6.6	7.8	7.8
Centralized Learning & Development	-	-	5.5	6.0	6.0
Information Management Systems	4.0	4.0	4.0	-	-
Total Employee Services	41.7	42.4	45.0	42.3	42.3
Finance & Information Technologies					
Assistant General Manager	3.0	3.1	3.0	3.0	3.0
Information Technology	24.9	25.0	27.7	33.0	33.0
Financial Planning & Analysis	10.5	9.7	10.0	10.0	10.0
Accounting	7.0	7.0	7.0	7.0	7.0
Material Control & Distribution	19.8	20.2	20.0	20.0	20.0
Total Finance & Information Technologies	65.2	65.0	67.7	73.0	73.0
Legal Services	5.8	6.0	5.9	6.0	6.0
Maintenance					
Assistant General Manager	17.6	19.2	17.3	20.0	20.0
Maintenance Control	41.3	39.2	40.7	44.0	44.0
Maintenance South	41.3	40.0	42.7	43.0	43.0
Centralized Maintenance	59.8	59.3	61.4	63.0	63.0
Maintenance West	43.1	39.7	40.4	44.0	44.0
Electronics Technology	31.3	31.1	31.6	32.0	32.0
Total Maintenance	234.4	228.5	234.1	246.0	246.0
Operations, Planning & Engineering					
Assistant General Manager	5.1	6.6	7.0	7.0	7.0
CAGR	5.0	5.6	7.5	8.0	8.0
Water Operations	21.3	21.3	21.7	23.0	23.0
Engineering Services	65.3	62.6	64.5	66.0	66.0
Resource Planning & Analysis	6.7	5.0	5.0	5.0	5.0
Total Operations, Planning & Engineering	103.4	101.1	105.7	109.0	109.0
Total FTE	468.6	460.6	476.3	494.3	494.3
Vacancy/Salary Savings Equivalent	-	-	(1.3)	(15.0)	(15.0)
Net FTE	468.6	460.6	475.0	479.3	479.3

Note: Minor differences due to rounding.

Prior years adjusted to current cost center alignment

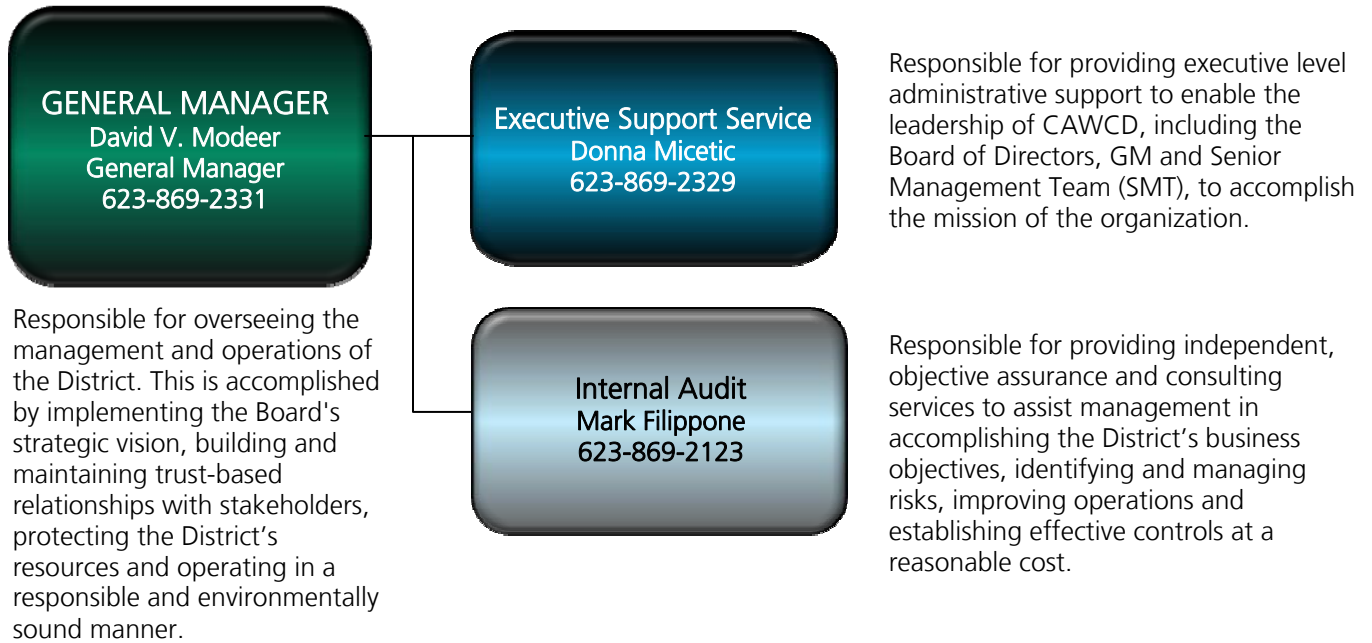
EXPLANATION OF CHANGES IN POSITIONS

Average Full-Time Equivalent (FTE)

	2013 Projected	2014 Budget	2015 Budget	2014 vs 2013	2015 vs 2014	Notes
General Manager	3.0	5.0	5.0	2.0	-	
Business Planning & Governmental Programs	5.0	5.0	5.0	-	-	
Communications & Public Affairs	9.9	8.0	8.0	(1.9)	-	
Employee Services						
Assistant General Manager	2.7	3.0	3.0	0.3	-	Filling vacant position
Human Resources	7.4	6.5	6.5	(0.9)	-	Position transfer to Centralized Learning & Development
Safety & Health	4.9	5.0	5.0	0.1	-	Filling vacant position
Environmental	4.0	4.0	4.0	-	-	
Protective Services	9.9	10.0	10.0	0.1	-	Filling vacant position
Facilities Services	6.6	7.8	7.8	1.2	-	Filling vacant position
Centralized Learning & Development	5.5	6.0	6.0	0.5	-	Filling vacant position
Information Management Systems	4.0	-	-	(4.0)	-	Position transfer to IT
Total Employee Services	45.0	42.3	42.3	(2.7)	-	
Finance & Information Technologies						
Assistant General Manager	3.0	3.0	3.0	-	-	
Information Technologies	27.7	33.0	33.0	5.3	-	4 FTE positions transferred from IMS and filling of vacant positions
Financial Planning & Analysis	10.0	10.0	10.0	-	-	
Accounting	7.0	7.0	7.0	-	-	
Material Control & Distribution	20.0	20.0	20.0	-	-	
Total Finance & Information Technologies	67.7	73.0	73.0	5.3	-	
Legal Services	5.9	6.0	6.0	0.1	-	Filling vacant position
Maintenance						
Assistant General Manager	17.3	20.0	20.0	2.7	-	In 2013, employees were shifted
Maintenance Control	40.7	44.0	44.0	3.3	-	between departments to meet
Maintenance South	42.7	43.0	43.0	0.3	-	planned maintenance activities -
Centralized Maintenance	61.4	63.0	63.0	1.6	-	Increase is related to high
Maintenance West	40.4	44.0	44.0	3.6	-	retirements in 2011, no additional
Electronics Technology	31.6	32.0	32.0	0.4	-	FTE is requested
Total Maintenance	234.1	246.0	246.0	11.9	-	
Operations, Planning & Engineering						
Assistant General Manager	7.0	7.0	7.0	-	-	
CAGRD	7.5	8.0	8.0	0.5	-	Filling vacant positions
Water Operations	21.7	23.0	23.0	1.3	-	Filling vacant positions
Engineering Services	64.5	66.0	66.0	1.5	-	Filling vacant positions
Resource Planning & Analysis	5.0	5.0	5.0	-	-	
Total Operations, Planning & Engineering	105.7	109.0	109.0	3.3	-	
Total FTE	476.3	494.3	494.3	18.0	-	
Vacancy/Salary Savings Equivalent	(1.3)	(15.0)	(15.0)	(13.7)	-	
Net FTE	475.0	479.3	479.3	4.3	-	

GENERAL MANAGER

Mission: The General Manager (GM) provides leadership and direction in managing the business of the Central Arizona Water Conservation District (CAWCD or District) and the operations of the Central Arizona Project (CAP).



GENERAL MANAGER

ACCOMPLISHMENTS - 2012 AND 2013

Key Result Area	Strategy	2012-2013 Goals & Accomplishments
Leadership & Public Trust	Build a strong CAP work community	<p>Goal: Actively recruit key leadership that promotes a diversified and cohesive workforce.</p> <p>Accomplishment: Proven internal and external leaders recruited to fill key positions in the following areas: Legal, CAGR, Risk Management, Maintenance, Power, Safety and CAP's first matrix department -- Centralized Learning and Development.</p>
	Position CAP as a recognized leader in water and energy management	<p>Goal: Actively engage at national, state and regional levels to promote the interests of CAP and its constituents.</p> <p>Accomplishment: Presented at national and regional conferences where CAP was the primary message, including WUWC, CRWUA, AWWA, AZ Water, Arizona League of Cities luncheon and Arizona Capitol Times Morning Scoop on water. Produced video of congressional delegation promoting value of CAP to state's economy.</p>
Finance	Optimize use of CAP assets to meet customer needs and generate opportunities to enhance revenues	<p>Goal: Implement systems that reduce costs, increase revenues, improve reliability or improve functionality.</p> <p>Accomplishment: Regularly review and update disposal, scrap and auction policies to reduce costs and increase revenues, including Reduce, Reuse and Recycle Program; replaced lighting in Bldg 2; applied energy-efficient paint to buildings. Implemented Enterprise Resource Planning software to track budgeting, variance and forecasting, improving both reliability and functionality.</p>
Project Reliability	Provide reliable and cost-effective water deliveries	<p>Goal: Implement process designed to protect and ensure the integrity of the physical system, minimize unplanned outages and maximize customer deliveries.</p> <p>Accomplishment: Patrol CAP and identify trespassing, encroachment and security issues. Perform root cause failure analysis of canal breach, install piezometers to provide early alert of land shifts and collect satellite data for vertical (ground) movement. Installed acoustic monitoring system at Centennial Wash siphon. Upgraded fire protection at plants.</p>
	Improve technology management	<p>Goal: Implement technology that increases access to information by employees, directors, stakeholders and public.</p> <p>Accomplishment: Formed Data Integration and Application Development Division. Launched web pages for land use permits, construction and equipment bids, CAGR stakeholder process, etc. Implemented Lands' case tracking system to improve construction oversight and reduce CAP costs to applicants. Automated notifications for bidding opportunities.</p>

GENERAL MANAGER

ACCOMPLISHMENTS - 2012 AND 2013

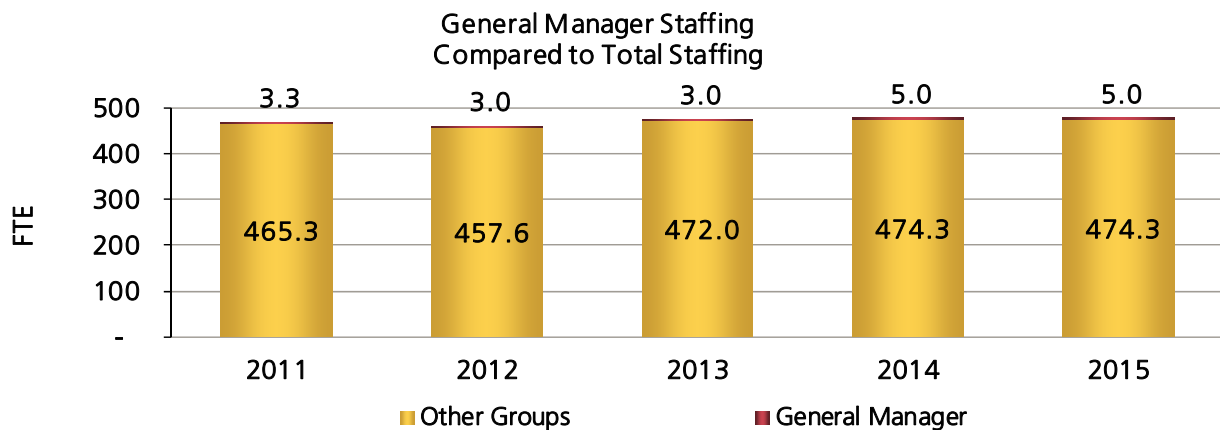
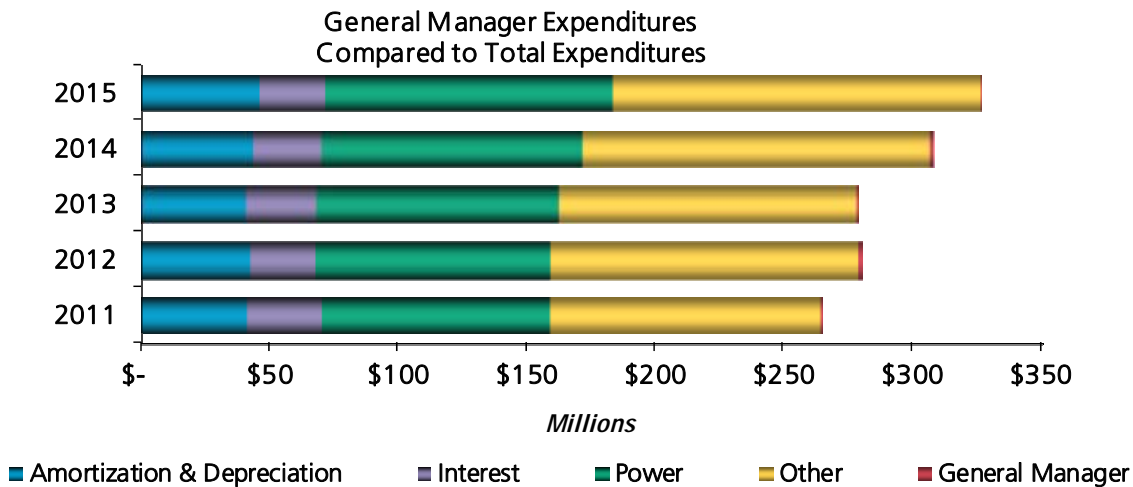
Key Result Area	Strategy	2012-2013 Goals & Accomplishments
Project Reliability	Maintain high levels of skills and job proficiency among employees	<p>Goal: Enhance awareness of and compliance with programs, policies and procedures to continuously improve employee capability and performance.</p> <p>Accomplishment: Communicate programs, policies and procedures via hard copy, email and personal contact. Key elements included in new employee and supervisor orientation.</p> <p>Accomplishment: Rolled out Personal and Organizational Development to all employees and provided training as needed. Established Leadership Development Program and mentoring for Administrative and Crafts and Trades employees. Encouraged department and employee non-traditional partnerships through a cross-functional team initiative.</p>
	Prepare for business disasters and threats	<p>Goal: Routinely exercise disaster recovery plans to ensure sustainability and limit interruptions to customers.</p> <p>Accomplishment: Consolidated all preparedness plans and procedures. Performed emergency preparedness and mock BDR exercises to identify and close gaps. Automated emergency notification to employees, directors and contractors.</p>
Water Supply	Manage Colorado River to optimize CAP water availability	<p>Goal: Support studies/programs for long-term operation of Yuma Desalting Plant (YDP) and influence management of Colorado River.</p> <p>Accomplishment: Partnered with SNWA and MWD in one-year pilot run of the YDP. Evaluate YDP alternatives, including Drain Water Interceptor Project. Completed Minute 319 with Mexico to enhance Lower Colorado River management. Continue to participate in regional efforts, including MSCP, Salinity Control Forum, cloud seeding, tamarisk removal, etc.</p>
Power	Develop plans for reliable, sustainable, cost-effective generation resources for the future	<p>Goal: Pursue partnerships to ensure reliability of power supplies and continue planning for future power resources.</p> <p>Accomplishment: Entered agreements on PV-Morgan and ED2-Saguaro transmission systems. Entered transmission O&M agreement with WAPA. Worked with interested parties to aggressively oppose EPA's Regional Haze Plan on NGS and develop alternatives.</p>
Replenishment	Obtain sufficient water supplies to meet long-term replenishment obligation	<p>Goal: Implement programs and legislative initiatives to meet replenishment obligations.</p> <p>Accomplishment: Engaged in professional services agreement for CAGRDR water acquisition. Completed phase 1 of CAGRDR 2015 Plan of Operation stakeholder process. Participated in ADWR's 4th Management Plan.</p>

GENERAL MANAGER
 BUSINESS GOALS - 2014 AND 2015

Key Result Area	Strategy	2014-2015 Goals
Leadership & Public Trust	Build a strong CAP work community	Implement development programs to prepare existing employees to assume leadership roles for a diversified and cohesive workforce, while continuing to build employee and work group relationships through improved internal communication, business initiative alignment and teamwork across departments.
	Position CAP as a recognized leader in water and energy management	Actively engage at national, state and regional levels to promote the interests of CAP and its constituents.
	Create a more effective customer and stakeholder working relationship within the M&I, agricultural, Native American Indians and irrigation districts	Continue active outreach and liaison programs with customers to pursue improved and effective relationships amongst customers and stakeholders, including municipal and industrial (M&I), agricultural and Native American tribes.
Finance	Optimize use of CAP assets to meet customer needs and generate opportunities to enhance revenues	Implement systems that enhance current capabilities of CAP that reduce costs, increase revenues, improve reliability or improve functionality.
Project Reliability	Provide reliable and cost-effective water deliveries	Implement processes designed to ensure the integrity of the physical system and minimize unplanned outages and maximize customer deliveries.
	Maintain high levels of skills and job proficiency among employees	Continue to establish methods which encourages advancement of employee performance and skills through increased understanding of existing programs, policies and procedures.
	Improve technology management	Implement technology that increases access to information by employees, directors, stakeholders and the general public.
Water Supply	Manage Colorado River to optimize CAP water availability	Engage in processes at the federal and regional arenas that protect and enhance western water supplies, particularly the Colorado River.
Power	Develop plans for reliable, sustainable, cost-effective generation resources for the future	Continue to work with the EPA, Bureau of Reclamation, SRP, Indian tribes and environmental stakeholders to successfully conclude efforts to ensure the ongoing operation of the Navajo Generating Station (NGS) through 2044, including the Best Available Retrofit Technology (BART) rule, the extension of the NGS Land Lease and Coal Supply Agreement and the National Environmental Policy Act (NEPA) compliance.
Replenishment	Obtain sufficient water supplies to meet long-term replenishment obligation	Submit the next 10-year CAGR Plan of Operation to the Arizona Department of Water Resources by December 31, 2014, continue to implement the CAGR water supply acquisition program and work to finalize a Standard Form Wheeling Agreement with the Bureau of Reclamation.

GENERAL MANAGER BUDGET SUMMARY

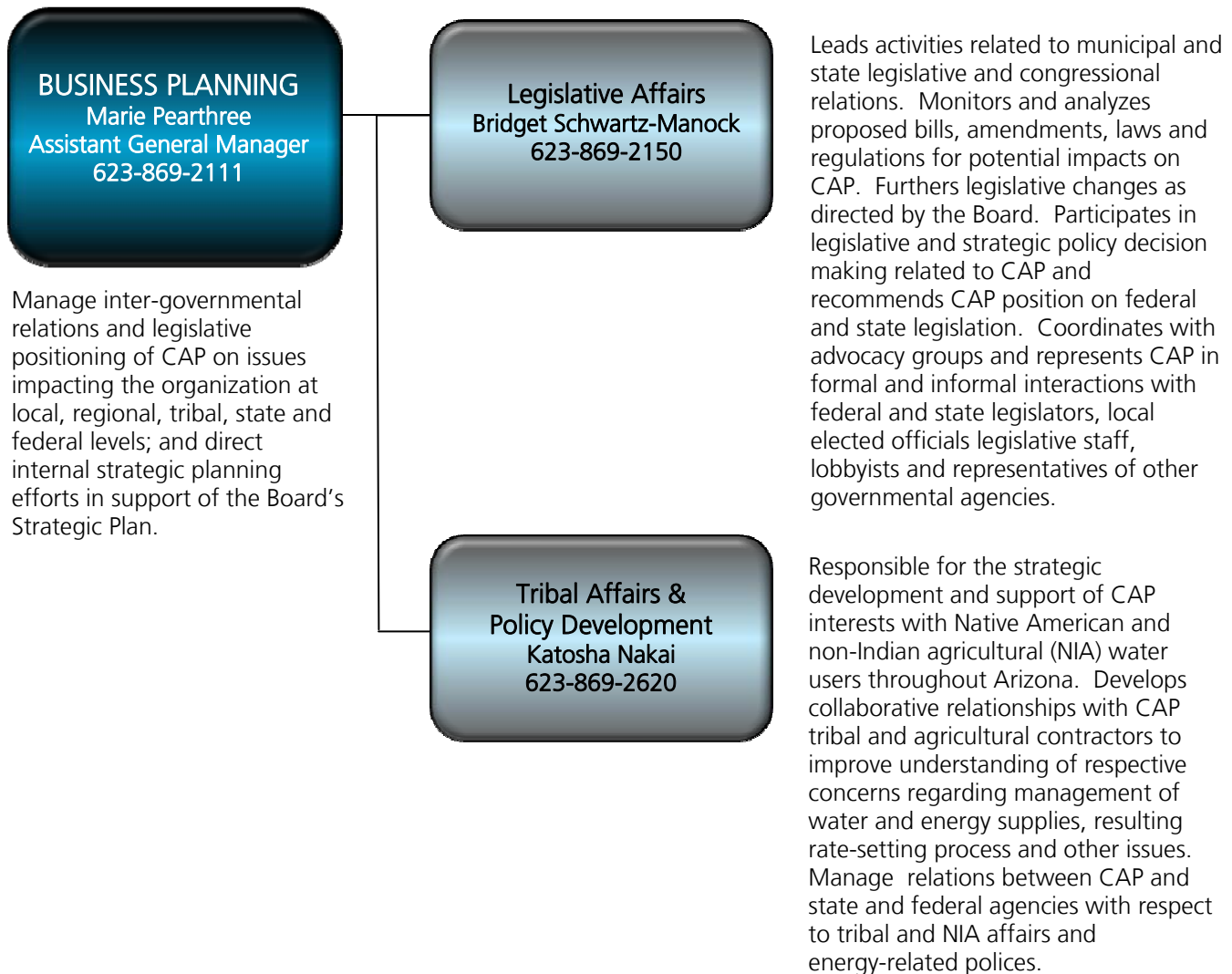
<i>(Dollars in Thousands)</i>	2011 Actuals	2012 Actuals	2013 Projected	2014 Budget	2015 Budget
Operating Expenses					
Salaries & wages	\$ 786.4	\$ 598.9	\$ 649.5	\$ 672.7	\$ 692.7
Outside services	299.5	1,277.0	291.5	753.2	350.8
Materials & supplies	2.5	2.9	5.3	1.5	1.4
Other expenses	102.2	75.6	120.2	135.0	125.3
Total Operating Expenses	\$ 1,190.6	\$ 1,954.4	\$ 1,066.5	\$ 1,562.4	\$ 1,170.2
Expenditures by Fund					
Operating Expenses					
General Fund	\$ 1,190.6	\$ 1,954.4	\$ 1,066.5	\$ 1,562.4	\$ 1,170.2
CAGR D	-	-	-	-	-
Other Funds and Accounts	-	-	-	-	-
Total Operating Expenses	\$ 1,190.6	\$ 1,954.4	\$ 1,066.5	\$ 1,562.4	\$ 1,170.2
Capital Expenditures	-	-	-	-	-
Total Expenditures	\$ 1,190.6	\$ 1,954.4	\$ 1,066.5	\$ 1,562.4	\$ 1,170.2
Staffing (FTE)	3.3	3.0	3.0	5.0	5.0





BUSINESS PLANNING AND GOVERNMENTAL PROGRAMS

Mission: The Business Planning and Governmental Programs Group (BPGP) is responsible for working closely with the General Manager (GM), the Board of Directors (Board) and employees to research, develop and implement strategic and tactical plans and related policy for CAP.



BUSINESS PLANNING AND GOVERNMENTAL PROGRAMS
 ACCOMPLISHMENTS - 2012 AND 2013

Key Result Area	Strategy	2012-2013 Goals & Accomplishments
	Actively engage at national, state and regional levels to promote the interest of CAP and its constituents	<p>Goal: Execute state and federal measures outlined in the Legislative Outreach Plan.</p> <p>Accomplishment: Hosted 11 legislative tours of CAP, organized 39 legislative briefings, provided presentations in House and Senate committee hearings on CAP issues to further CAP's legislative goals.</p> <hr/> <p>Goal: Increase CAP's participation in national organizations that advocate for western water interests in Washington, DC.</p> <p>Accomplishment: Actively participated in national organizations including the National Water Resources Association, Family Farm Alliance, Western Urban Water Coalition, Association of Metropolitan Water Agencies, American Water Works Association and Lower Colorado River Water Quality Partnership.</p> <hr/> <p>Goal: Participate in state water management activities that involve CAP interests.</p> <p>Accomplishment: Organized joint quarterly CAP/AZ Department of Water Resources (ADWR) meetings, participated in tribal water settlement discussions, and actively participated in state water management activities such as CAP water acquisition outreach strategies, Superstition Mountain Recharge Project negotiations and Water Resources Development Commission.</p>
Leadership & Public Trust	Establish more effective working relationship with Native American tribes and agriculture customers (including irrigation districts)	<p>Goal: Develop a strategy to reach out to Arizona tribes and key tribal organizations.</p> <p>Accomplishment: BPGP staff implemented the Tribal Outreach Plan utilizing various tools that included hosting leadership-to-leadership meetings with various tribes, participating in the annual Tribal Legislative Day at the Arizona State Legislature, developing the tribal newsletter and tribal webpage, developing a new tribal internship program and participating in tribal community tours.</p> <hr/> <p>Goal: Engage in regular exchange between CAP, tribal leaders and contractors.</p> <p>Accomplishment: Met multiple times with representatives from the Inter-Tribal Council of Arizona and hosted follow-up meetings with multiple tribes. To build upon the foundation previously developed, staff also toured multiple tribal communities such as the G, Ak-Chin Indian Community, Pascua Yaqui Indian Tribe and Tohono O'odham Nation. Additionally, staff provided presentations to tribal water and wastewater treatment operations in an effort to begin building relations deeper into the ranks of tribal staff. CAP has also held CAWCD Board meetings at Ak-Chin Indian Community and Tohono O'odham Nation tribal lands during which time BPGP staff coordinated tours and meetings for the Board to gain deeper insight into tribal communities.</p>

BUSINESS PLANNING AND GOVERNMENTAL PROGRAMS ACCOMPLISHMENTS - 2012 AND 2013

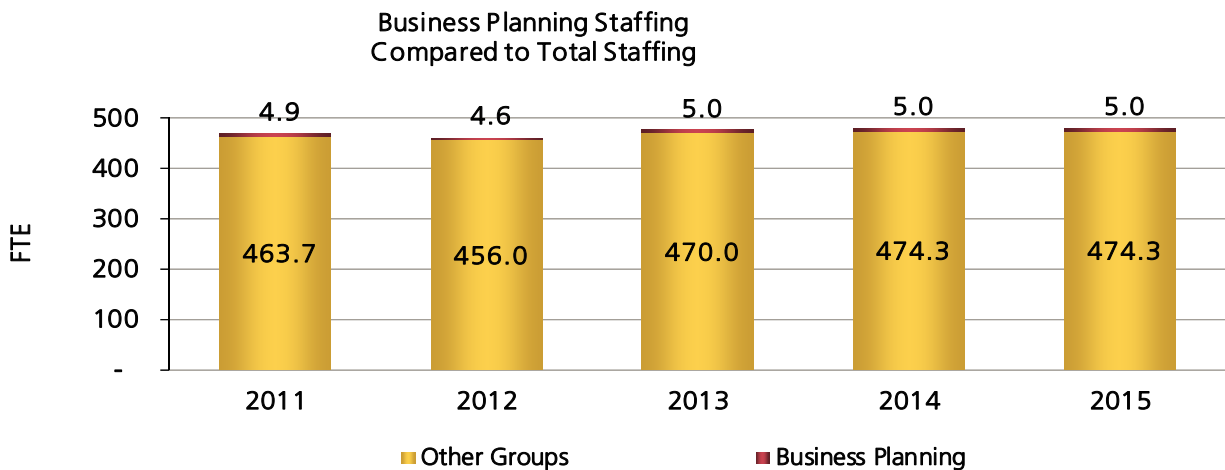
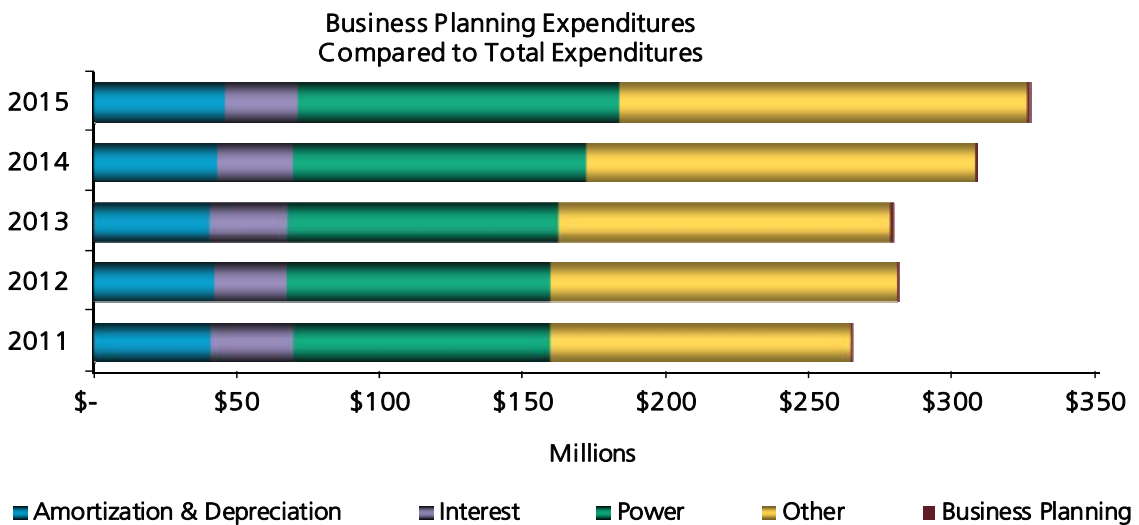
Key Result Area	Strategy	2012-2013 Goals & Accomplishments
Leadership & Public Trust	Establish more effective working relationships with Native American tribes and agriculture customers (including irrigation districts)	<p>Goal: Conduct orientation meeting between CAP and tribal communities.</p> <p>Accomplishment: Initiated leadership-to-leadership and orientation meetings with multiple tribes including the Gila River Indian Community (GRIC), Tohono O’odham Nation, Yavapai Prescott, Yavapai Apache, Hualapai tribe and Salt River Maricopa Indian Community. To date CAP has provided direct orientation to 10 Arizona tribes.</p>
Water Supply	Actively work with other Basin states in order to influence Colorado River management decisions	<p>Goal: Served in leadership positions on Colorado River Committees such as the newly formed Lower Colorado River Water Quality Partnership, Colorado River Committee of the Western Urban Water Coalition and Colorado River Water Users Association.</p> <p>Accomplishment: Served on the Lower Colorado River Water Quality Partnership executive committee and have increased participation.</p> <p>Goal: Coordinate activities with CAP’s newly-formed Colorado River Programs department.</p> <p>Accomplishment: Coordinated with the Colorado River Programs Department on various projects including forming a cross functional team; assisting with development of articles for newsletters and white papers on topics such as shortage, Colorado River Basin Study, YDP and Colorado River Basin management; securing a tribal intern from the institute for Tribal Environmental Professionals; and assisting with the Basin Study statewide outreach efforts and municipal water conservation study.</p>
	Position CAP as a leader on climate change adaptation by working with organizations such as the WUCA and other water utilities at the forefront of managing climate change impacts	<p>Goal: Further develop CAP’s recognition as an organization that understands and responds to adaptation requirements and drought through participation in local and national climate-related activities.</p> <p>Accomplishment: This responsibility has been transferred to the Colorado River Programs department and is no longer part of BPGP.</p>
Power	Actively manage and respond to legislative, legal and regulatory issues impacting NGS	<p>Goal: Work collaboratively with all stakeholders, legislators, and state and federal agencies to accomplish a resolution to the EPA’s NGS BART determination and other rulemaking that recognizes the economic interests of CAP and its customers and constituents.</p> <p>Accomplishment: BPGP staff participated in multiple conferences, civic groups and events to educate stakeholders about NGS and CAP economic issues. BPGP staff also met with tribal, state and federal officials about ongoing issues related to rulemaking.</p>

BUSINESS PLANNING AND GOVERNMENTAL PROGRAMS
 BUSINESS GOALS - 2014 AND 2015

Key Result Area	Strategy	2014-2015 Goals
		<p>Execute state and federal activities outlined in the 2013-2014 Legislative Outreach Plan.</p> <p>Measure/Target: Complete minimum 75% of items in plan.</p> <hr/> <p>Maintain CAP's participation in national organizations that advocate for water interests in Washington DC such as National Water Resources Association, Family Farm Alliance, American Water Works Association, Association of Metropolitan Water Agencies and Western Urban Water Coalition.</p> <hr/> <p>Participate in state water management activities that involve CAP interest.</p> <hr/> <p>Continue to develop relationships with municipal stakeholders and organizations.</p> <p>Measure/Target: Produce 12 newsletters annually and hold a minimum of 3 briefings and tours per year for 2014 and 2015.</p>
Leadership & Public Trust	Establish more effective working relationships with Native American tribes and agriculture customers (including irrigation districts)	<p>Continue outreach efforts to Arizona tribes and key tribal organizations, including meetings between CAP and tribal communities and/or tribal staff.</p> <p>Measure/Target: Organize a minimum of 3 meetings per year for 2014 and 2015.</p> <hr/> <p>Develop relationships with agricultural stakeholders and organizations.</p> <p>Measure/Target: Hold a minimum of 3 meetings per year in 2014 and 2015.</p>
	Implement Strategic Planning that reflects the Board's policies and directions, and that links to organization-wide business planning	Manage and update the CAP Internal Strategic Plan so that it is in alignment with the Board's Strategic Plan.
	Continue to support functions across the CAP organizations	Support interdisciplinary teams and other CAP departments with strategic and business advice and written materials.
Water Supply	Actively work with other Basin states in order to influence Colorado River management decisions	<p>Actively participate on Colorado River Committees including the newly formed Lower Colorado River Water Quality Partnership, Colorado River Committee of the Western Urban Water Coalition and Colorado River Water Users Association.</p> <hr/> <p>Continue to coordinate activities with CAP's Colorado River Programs Department.</p>
Power	Actively manage and respond to legislative, legal and regulatory issues impacting NGS	Continue to work collaboratively with all stakeholders, legislators and state and federal agencies to accomplish a resolution to the EPA's NGS BART determination and other rulemaking that recognizes the economic interests of CAP and its customers and constituents.

BUSINESS PLANNING AND GOVERNMENTAL PROGRAMS BUDGET SUMMARY

<i>(Dollars in Thousands)</i>	2011 Actuals	2012 Actuals	2013 Projected	2014 Budget	2015 Budget
Operating Expenses					
Salaries & wages	\$ 618.9	\$ 586.3	\$ 598.2	\$ 620.6	\$ 639.2
Outside services	310.1	291.9	375.8	310.0	360.0
Materials & supplies	5.3	4.3	9.6	6.0	6.0
Other expenses	47.5	52.6	90.5	97.2	96.3
Total Operating Expenses	\$ 981.8	\$ 935.1	\$ 1,074.1	\$ 1,033.8	\$ 1,101.5
Expenditures by Fund					
Operating Expenses					
General Fund	\$ 981.8	\$ 935.1	\$ 1,074.1	\$ 1,033.8	\$ 1,101.5
CAGR	-	-	-	-	-
Other Funds and Accounts	-	-	-	-	-
Total Operating Expenses	\$ 981.8	\$ 935.1	\$ 1,074.1	\$ 1,033.8	\$ 1,101.5
Capital Expenditures	-	-	-	-	-
Total Expenditures	\$ 981.8	\$ 935.1	\$ 1,074.1	\$ 1,033.8	\$ 1,101.5
Staffing (FTE)	4.9	4.6	5.0	5.0	5.0





COMMUNICATIONS & PUBLIC AFFAIRS

Mission: The Communications and Public Affairs Group conducts strategic employee, customer and community relations programs to increase knowledge, awareness and recognition of CAP's value to the state of Arizona and the southwest region.



Communications & Public Affairs ("Communications"): CAWCD's Communications Group establishes and promotes positive relationships with a variety of internal and external constituents by providing information, perspectives and programs that help influence public opinion and behaviors, and enhance our reputation as a strategic partner in the management, delivery and protection of Colorado River water.

External Communications/Media Relations: Builds relationships with a variety of news organizations locally, statewide and throughout the southwest region to position CAWCD as an effective and strategic leader on Colorado River water issues. Develops and manages print, broadcast and electronic media messages and authors the District's Annual Report.

External Communications/Community Relations: Increases the visibility of CAP to the general public, business and community organizations, governmental entities and schools throughout Arizona and in the southwest region through active participation in business and civic groups, development of curriculum materials in schools, hosting and sponsoring community outreach efforts and serving as content manager of CAWCD's website.

Internal Communications/Visual Communications: Creates, plans, develops and executes employee communications activities, campaigns, programs, volunteer opportunities, scholarship awards and special events. Manages, coordinates and produces photographic, audio and video productions for internal and external audiences.

COMMUNICATIONS & PUBLIC AFFAIRS
 ACCOMPLISHMENTS - 2012 AND 2013

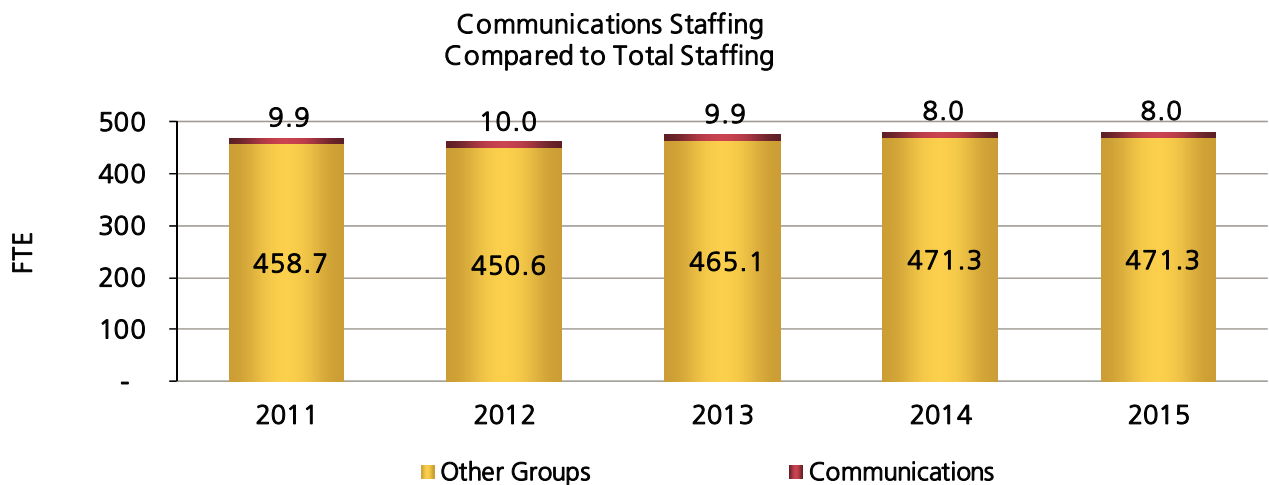
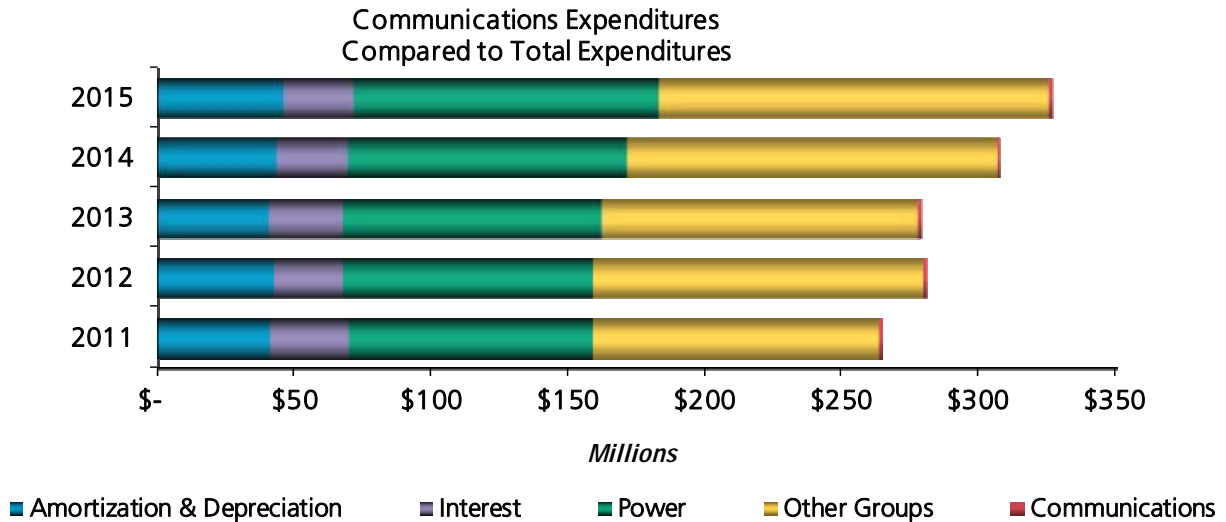
Key Result Area	Strategy	2012-2013 Goals & Accomplishments
Leadership & Public Trust	Define how Board members effectively represent CAP and its positions	<p>Goal: Enhance the understanding of CAP's mission and vision to address questions related to CAP's role in service area, statewide and regional water and power issues.</p> <p>Accomplishment: Board members participated in 3 public information TV spots advocating NGS, replenishment and sustainable water supplies. CAP continuously looks for opportunities to present NGS, Basin Study and health of the River information to community, business and opinion leaders.</p>
	Educate about CAP and improve understanding of canal safety	<p>Goal: Develop and distribute canal safety educational curriculum for K-12 and include segment on same in H204U student education materials.</p> <p>Accomplishment: Canal safety is included in CAP's H204U Program along with other educational programs, which are distributed and/or made available electronically to all schools in our three-county service area.</p>
	Educate about CAP and improve understanding of water and power issues	<p>Goal: Find opportunities for CAP to host or sponsor conferences where our messages are the primary ones.</p> <p>Accomplishment: CAP sponsored or partially sponsored events at University of Arizona's Water Resource Research Center, Arizona Hydrological Society, League of Arizona Cities and Towns, Colorado River Water Users Association, Water Day at the Science Center and Water Utility Climate Alliance, among many other events and activities.</p>
	Encourage community involvement	<p>Goal: Encourage increased leadership, outreach and public involvement of CAP within the greater community and support CAP employees' volunteer activities</p> <p>Accomplishment: CAP provides time and resources for employees to actively participate in professional and civic organizations; CAP identifies and coordinates public outreach and educational events where CAP's employees and directors play a key role; CAP coordinates and supports employee volunteer activities that provide opportunities for employees, their families and friends to contribute to the community; approximately 50 employees are recognized annually for community service for their volunteer contributions to the community.</p>
	Educate future water leaders	<p>Goal: Identify and develop opportunities for involvement in leadership organizations.</p> <p>Accomplishment: CAP maintains an ongoing presence in leadership organizations around the Valley, including Valley Leadership, Scottsdale Leadership, Greater Tucson Leadership, Arizona Hydrological Society and Project CENTRL.</p>
Project Reliability	Improve technology management	<p>Goal: Proactively manage use of social networking and other developing communication tools with respect to access use, content, records management, security of information, legal and general oversight.</p> <p>Accomplishment: Information is posted multiple times per week on Facebook and Twitter to promote current activities and events. The CAP YouTube channel is used to promote CAP Channels video programs about topical business issues.</p>

COMMUNICATIONS & PUBLIC AFFAIRS
 BUSINESS GOALS - 2014 AND 2015

Key Result Area	Strategy	2014-2015 Goals
Leadership & Public Trust	Educate about CAP and improve understanding of water and power issues	<p>Create channels of communication that will provide greater visibility for CAP, including a statewide media campaign and coordinated social media efforts including a company blog.</p> <p>Measure/Target: Increase traffic on social media sites and CAP website by 10%.</p> <hr/> <p>Increase Board and stakeholder interaction by further developing and identifying public speaking opportunities and public presentations.</p> <p>Measure/Target: Place Board or senior staff in 3 to 4 high-profile speaking engagements each year.</p>
	Build a strong CAP work community	<p>Build relationships among employees and work groups and communicate the intent and purpose of strategic initiatives, policies and business decisions so that they are understood and supported throughout the organization. This includes Beyond the Buzz meetings, Lunch & Learns, weekly and quarterly publications and internal events.</p> <p>Measure/Target: Produce 3 Open Channels, 40 Currents, 52 CrossCurrents, 2 Beyond the Buzz meetings and 3 Exploring CAP field visits annually.</p>
	Improve relationships with other stakeholders	<p>Provide more detailed information on website regarding activities of the District, issues of interest, priorities and responsibilities of the Board, including specific contact information, in a manner that is informative to the public.</p> <p>Measure/Target: Update website in key areas within 24 hours of important events of change.</p>
	Encourage community involvement	<p>Encourage increased leadership, outreach and public involvement of CAP within the greater community and support CAP employees' volunteer activities.</p> <p>Measure/Target: Participate in 5 community events and institute 12 volunteer activities per year.</p>
Project Reliability	Maintain high levels of skills and job proficiency among employees	<p>Align Communications team members' development efforts to CAP's desire to grow leaders and insistently ensure the level of proficiency and success of employees.</p> <p>Measure/Target: Complete assessment by November 2014. Implement recommendations and/or changes in 2015.</p>

COMMUNICATIONS BUDGET SUMMARY

(Dollars in Thousands)	2011 Actuals	2012 Actuals	2013 Projected	2014 Budget	2015 Budget
Operating Expenses					
Salaries & wages	\$ 753.6	\$ 760.2	\$ 766.4	\$ 788.0	\$ 811.6
Materials & supplies	19.1	16.9	20.0	15.3	15.8
Other expenses	674.0	707.3	829.0	784.0	800.3
Total Operating Expenses	\$ 1,446.7	\$ 1,484.4	\$ 1,615.4	\$ 1,587.3	\$ 1,627.7
Expenditures by Fund					
Operating Expenses					
General Fund	\$ 1,446.7	\$ 1,484.4	\$ 1,615.4	\$ 1,587.3	\$ 1,627.7
Other Funds and Accounts	-	-	-	-	-
Total Operating Expenses	\$ 1,446.7	\$ 1,484.4	\$ 1,615.4	\$ 1,587.3	\$ 1,627.7
Capital Expenditures	-	-	-	-	-
Total Expenditures	\$ 1,446.7	\$ 1,484.4	\$ 1,615.4	\$ 1,587.3	\$ 1,627.7
Staffing (FTE)	9.9	10.0	9.9	8.0	8.0



EMPLOYEE SERVICES

Mission: The Employee Services Group creates and conducts strategic practices and programs to provide a work environment in which employees can work safely, securely and productively while adhering to state and federal regulations.

EMPLOYEE SERVICES
 Thomas M. Delgado
 Assistant General Manager
 623-869-2361

Employee Services provides support and services necessary for CAWCD to provide a productive, safe, healthy and secure environment where our programs and services encourage employees to work at their optimum level individually and in teams.

Note: Information Management Systems was part of Employee Services through 2013. It was merged into Information Technology in Finance and Information Technologies starting in 2014.

Human Resources
(Compensation & Benefits)
 Dan Martin
 623-869-2677

Responsible for staffing, compensation, benefits, wellness programs, people policies, employee relations, performance management and technology that enables people practices and processes.

Environmental, Health & Safety
(Environmental)
 Darin Perkins
 623-869-2308

Responsible for upholding the highest environmental compliance and occupational safety and health standards through workplace assessments and the development of the appropriate programs and processes to prevent releases, accidents, and injuries, in partnership with CAP managers, supervisors and employees.

Protective Services
 Joseph Gaylord
 623-869-2382

Responsible for protecting employees, facilities, the canal and surrounding property, the public, the environment and wildlife.

Facilities Services
 Renee Finch
 623-869-2367

Administrative and operational activities within the Facilities Services area. Manage and provide oversight for the ongoing services and maintenance contracts at CAP in the areas of office equipment, furniture, facilities services, office ergonomics, space planning, reception, reprographics and mail distribution.

Centralized Learning & Development
 Bonnie Stone
 623-869-2227

Responsible for the management, design, development and implementation of CAP's learning strategy, which includes training, organizational development (OD) and employee engagement processes and programs to ensure CAP has skilled talent available to meet current and future business needs.

EMPLOYEE SERVICES

ACCOMPLISHMENTS - 2012 AND 2013

Key Result Area	Strategy	2012-2013 Goals & Accomplishments
	<p>Maintain a safe, healthy and secure working environment</p>	<p>Goal: Continue requirements to maintain VPP Star status.</p> <p>Accomplishment: CAP successfully recertified as a VPP site in 2011. There have been ongoing efforts made to ensure a high level of safety is maintained and to be prepared for our next recertification in 2014. Plant and facility audits were conducted during 2012; additional ones are being conducted in 2013. Additionally, in 2012, CAP met its performance goals to have injury, illness and accident rates below the most recent three-year average.</p> <hr/> <p>Goal: Promote healthy habits in the workforce. Enhance the CAP Wellness Program to focus on multiple health-related factors.</p> <p>Accomplishment: Increased the number of participants in the HRA and blood draw from 2012 in 2013. Executed 2013 Health Expo, department health topics and individual nutrition and fitness counseling at HQ, TFO and pumping plants. Launched and completed 3 Wellness Initiatives — MILE! Challenge, Weight/Inch Loss Challenge, and Holiday 'Maintain, Don't Gain'.</p>
<p>Project Reliability</p>	<p>Establish CAP as the regional "Employer of Choice"</p>	<p>Goal: Continue programs that promote diversity in the workplace including building a workforce that reflects the communities that CAP serves. Maintain a competitive pay and benefits program and comply with federal healthcare reform requirements. Continue to manage low employee turnover.</p> <p>Accomplishment: Increased female participation rate from 18.4% in 2011 to 19.7% in 2013. Increased minority participation rate from 14.8% in 2011 to 15.8% in 2013. Maintained employee premium rates for health coverage at 2011 rates without decreasing coverage or increasing employee contribution rates (co-pays). Turnover in 2012 was 7.3%, less than the Average Annual Turnover of 13% (reported by SHRM) for 2011.</p>
	<p>Maintain high levels of skills and job proficiency among employees</p>	<p>Goal: Review present organizational structure and implement changes to improve communication and reduce silos. Conduct a system-wide spatial needs analysis for all functions (workspace needs, storage and meeting space) and develop an implementation plan to optimize workflow and functional efficiencies throughout CAP.</p> <p>Accomplishment: Completed headquarters space analysis and currently evaluating recommendations.</p>

EMPLOYEE SERVICES
 ACCOMPLISHMENTS - 2012 AND 2013

Key Result Area	Strategy	2012-2013 Goals & Accomplishments
	Recruitment and succession planning	<p>Goal: Expand the Succession Planning Program to identify key organizational positions and develop candidates to contribute in multiple roles.</p> <p>Accomplishment: Work Force Plan review continues annually. HR supported and assisted identified SMT members assigned to develop and implement a management and leadership training program. Program developed in 2012 and announced in Q1, 2013 and opened for candidate nomination.</p>
	Training	<p>Goal: Develop and implement a robust management training program that includes communication, leadership, personnel management, etc.</p> <p>Accomplishment: PR 28 POD training began in 2013 with the GM teaching the SMT the competency model designed by CAP. Currently the SMT is teaching their staff.</p>
Project Reliability	Promote environmental sustainability	<p>Goal: Assist and support an energy audit of CAP facilities and development of a sustainability-based energy reduction and conservation program through prudent management of all CAP facilities.</p> <p>Accomplishment: Developed ECO Vision, Mission and Charter to promote CAP as an environmental leader in reducing the impact on the environment and sustainability for CAP, our community and our stakeholders. Energy reduction through various power consumption reduction methods.</p> <p>Goal: Commit to continued environmental improvement in waste management, reduction and disposal.</p> <p>Accomplishment: Solid waste costs have reduced by 9% and the material recycled rate has increased by 9%. Over 344,823 pounds of recycled material was diverted from the landfill.</p>
	Provide reliable and cost-effective water deliveries	<p>Goal: Protect the canal system from encroachment, trespassing, spread of crime, illegal dumping, use of illegal substances, etc. as the Phoenix, Tucson and Casa Grande metropolitan areas grow.</p> <p>Accomplishment: During 2012 provided protection of canal and citizens, increasing security and traffic control during canal structure breach. In 2012 a new security company was selected.</p>
Leadership & Public Trust	Encourage community involvement	<p>Goal: Be recognized as an industry leader by participating in professional and business organizations.</p> <p>Accomplishment: CAP was selected as one of approximately 20 entities to the advisory committee for development of the AzVSP.</p>

EMPLOYEE SERVICES
 BUSINESS GOALS - 2014 AND 2015

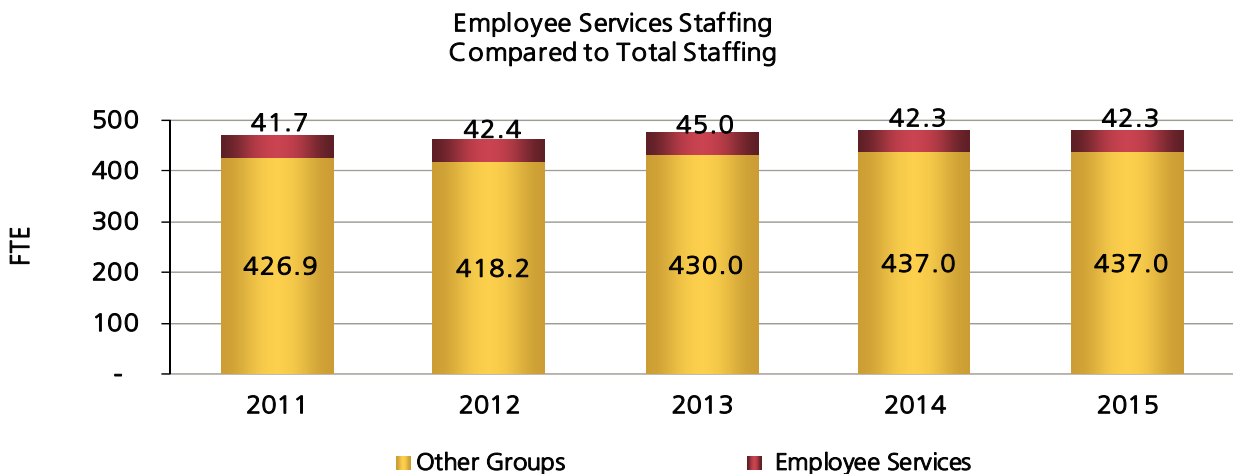
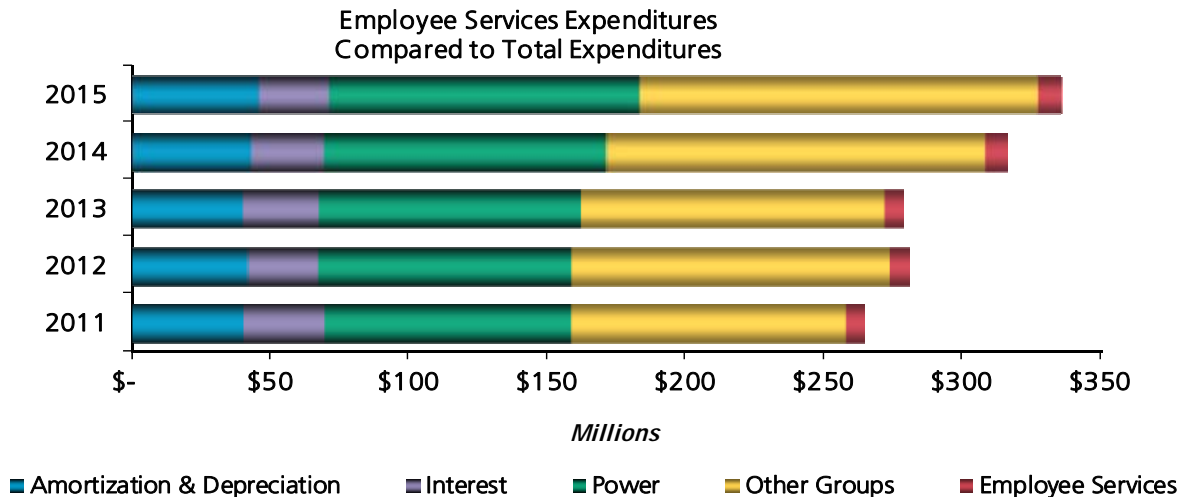
Key Result Area	Strategy	2014-2015 Goals
	Establish CAP as the regional "Employer of Choice"	<p>Continue programs that promote diversity in the workplace including building a workforce that reflects the communities that CAP serves. Maintain a competitive pay and benefits program and comply with federal healthcare reform requirements. Continue to manage low employee turnover.</p> <p>Measure/Target: Annual turnover percentage time to fill date with a target of maintaining annual turnover so change is less than 1% greater or lower than previous year. Time To Fill data baseline performance at or within 10% of baseline. Total health plan costs per employee at or less than national average.</p>
Project Reliability	Maintain high levels of skills and job proficiency among employees	<p>Improve pay for performance system within the organization-wide framework focusing on job levels, descriptions, career paths, requirements for future roles, training and compensation.</p> <p>Measure/Target: Market data and equitable total compensation package for all positions. With a target of determining compensation philosophy based on demonstrated external and internal equity that includes adequate base pay levels, merit and incentive pay options identified through market surveys and comparable best practice performance evaluation processes.</p> <p>Audit benefit administration capabilities and propose appropriate revisions. Audit online recruiting processes, investigate best practices available, propose changes and implement as approved.</p> <p>Measure/Target: Employees more able to obtain benefit plan information and resolve personal claim issues. HR able to provide more accurate and more complete candidate information more quickly to managers and supervisors to improve recruiting service levels.</p> <p>Assist and support an energy audit of CAP facilities and development of a sustainability-based energy reduction and conservation program through prudent management of all CAP facilities.</p> <p>Measure/Target: Reduce KWH consumption and develop a sustainability-based energy reduction and conservation program through prudent management of all facilities.</p> <p>Provide a mechanism for internal transference of information gained from training.</p> <p>Measure/Target: Develop CAP-wide process for transference in 2014. With a target of evaluating training events with new processes in 2015.</p>

EMPLOYEE SERVICES
 BUSINESS GOALS - 2014 AND 2015

Key Result Area	Strategy	2014-2015 Goals
Project Reliability		Successfully complete all requirements necessary for CAP to recertify as a VPP site and reduce/eliminate workplace injuries, illnesses and preventable vehicle accidents
	Maintain a safe, healthy and secure working environment	<p>Measure/Target: Successful achievement of VPP recertification in 2014.</p> <hr/> <p>Promote healthy habits in the workforce. Enhance the CAP Wellness Program to focus on multiple health-related factors.</p> <p>Measure/Target: Rollout 3 Wellness Program initiatives each year. Target would be to maintain or increase participation of employees in the Wellness Program offerings and initiatives.</p>
	Recruitment and succession planning	<p>Expand the Succession Planning Program beyond current position specific focus to identify high potential candidates that might benefit the organization in a number of roles.</p> <p>Measure/Target: Identify available development opportunities and skill enhancement for progression to positions.</p>
	Training	<p>Develop a robust supervisory/management training program.</p> <p>Measure/Target: In 2015 implement/deploy curriculum and use evaluation process to ensure transference.</p>
	Provide reliable and cost-effective water deliveries	<p>To make the canal as secure as possible with the continued growth of the urban areas of Phoenix, Casa Grande and Tucson</p> <p>Conduct a system-wide spatial analysis.</p> <p>Measure/Target: Complete Architectural Design and scope for Board Room/Server Room renovation in 2014. In 2015 execute demolition and construction, with anticipated project completion by 2016.</p>
	Promote environmental sustainability	<p>Enhance environmental program to achieve high level of regulatory and policy compliance.</p> <p>Measure/Target: 10% decrease in number of Opportunities to Correct from previous year. Resolve 100% of reoccurring Opportunities to Correct (i.e. aerosol cans).</p> <p>Continued improvement in existing waste reduction, management and diversion programs.</p> <p>Measure/Target: 10% increase in volume of materials recycled or reused from previous year.</p>
Encourage community involvement	<p>Participate in new ADEQ AZ Environmental Stewardship Program (AESP) and achieve higher level within program.</p>	

EMPLOYEE SERVICES BUDGET SUMMARY

<i>(Dollars in Thousands)</i>	2011 Actuals	2012 Actuals	2013 Projected	2014 Budget	2015 Budget
Operating Expenses					
Salaries & wages	\$ 3,031.4	\$ 3,063.9	\$ 3,253.3	\$ 3,147.6	\$ 3,241.1
Outside services	3,294.3	3,200.4	3,350.7	3,785.1	4,345.2
Materials & supplies	254.0	278.5	303.3	554.1	501.7
Other expenses	267.0	223.8	289.4	473.6	434.3
Total Operating Expenses	\$ 6,846.7	\$ 6,766.6	\$ 7,196.7	\$ 7,960.4	\$ 8,522.3
Expenditures by Fund					
Operating Expenses					
General Fund	\$ 6,846.7	\$ 6,766.6	\$ 7,196.7	\$ 7,960.4	\$ 8,522.3
CAGR	-	-	-	-	-
Other Funds and Accounts	-	-	-	-	-
Total Operating Expenses	\$ 6,846.7	\$ 6,766.6	\$ 7,196.7	\$ 7,960.4	\$ 8,522.3
Capital Expenditures	-	408.8	204.9	179.5	110.0
Total Expenditures	\$ 6,846.7	\$ 7,175.4	\$ 7,401.6	\$ 8,139.9	\$ 8,632.3
Staffing (FTE)	41.7	42.4	45.0	42.3	42.3



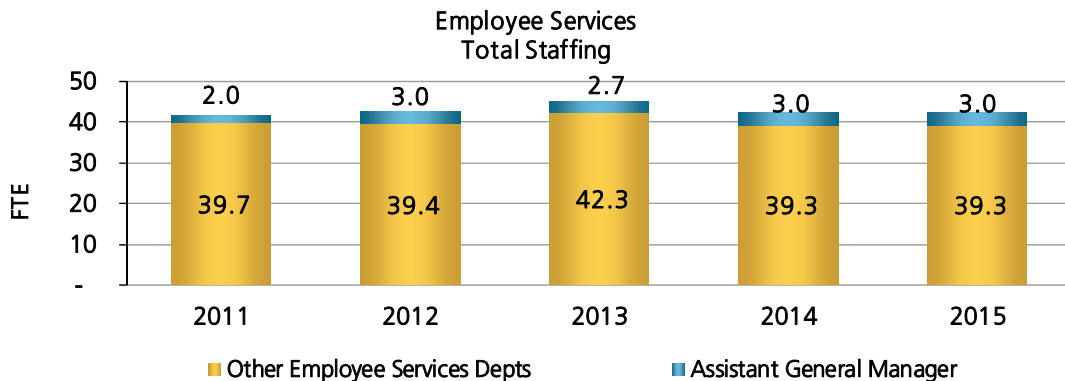
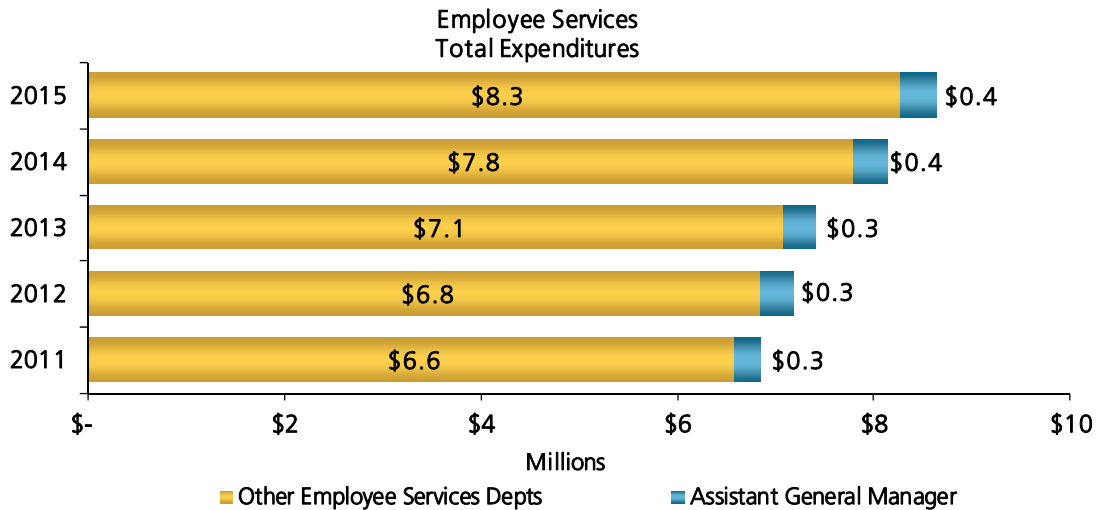
EMPLOYEE SERVICES
ASSISTANT GENERAL MANAGER

(Dollars in Thousands)	2011 Actuals	2012 Actuals	2013 Projected	2014 Budget	2015 Budget
Operating Expenses					
Salaries & wages	\$ 274.5	\$ 329.8	\$ 312.5	\$ 346.1	\$ 356.5
Outside services	-	-	0.2	0.4	0.4
Materials & supplies	0.6	1.2	0.8	1.3	1.3
Other expenses	3.3	2.8	6.3	14.5	14.5
Total Operating Expenses	\$ 278.4	\$ 333.8	\$ 319.8	\$ 362.3	\$ 372.7

Expenditures by Fund

Operating Expenses

General Fund	\$ 278.4	\$ 333.8	\$ 319.8	\$ 362.3	\$ 372.7
CAGR Account	-	-	-	-	-
Other Funds and Accounts	-	-	-	-	-
Total Operating Expenses	\$ 278.4	\$ 333.8	\$ 319.8	\$ 362.3	\$ 372.7
Capital Expenditures	-	-	-	-	-
Total Expenditures	\$ 278.4	\$ 333.8	\$ 319.8	\$ 362.3	\$ 372.7
Staffing (FTE)	2.0	3.0	2.7	3.0	3.0

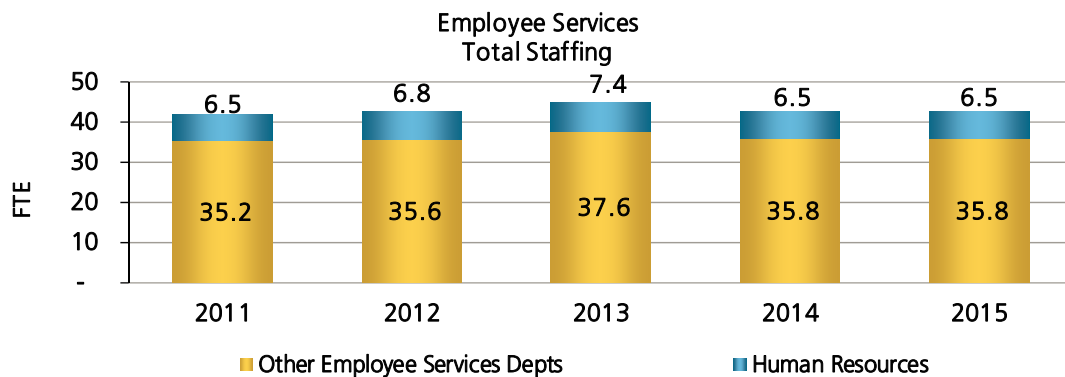
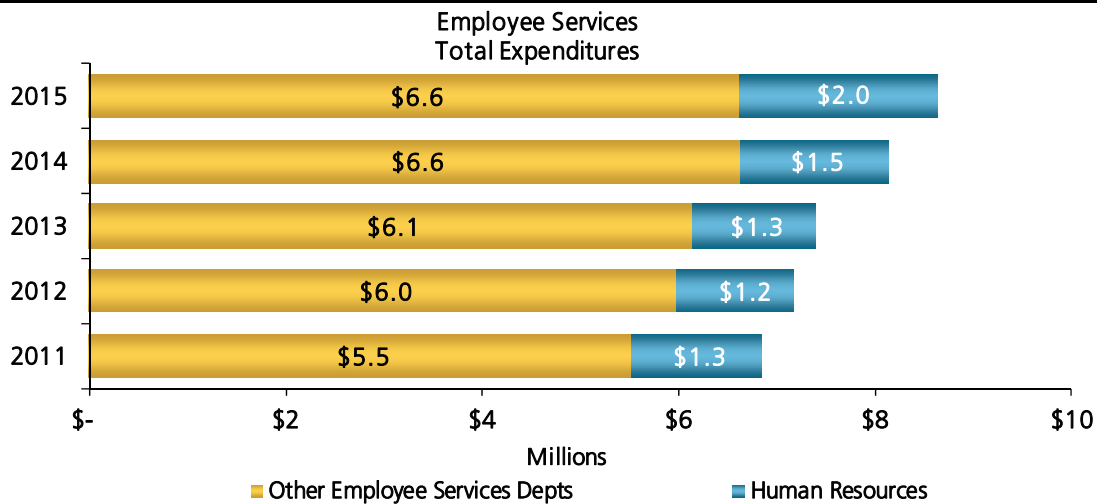


EMPLOYEE SERVICES HUMAN RESOURCES

(Dollars in Thousands)	2011 Actuals	2012 Actuals	2013 Projected	2014 Budget	2015 Budget
Operating Expenses					
Salaries & wages	\$ 516.5	\$ 519.3	\$ 499.0	\$ 477.8	\$ 491.9
Outside services	694.4	572.4	648.7	908.7	1,408.2
Materials & supplies	5.5	5.7	7.7	7.2	7.3
Other expenses	108.8	98.6	113.2	120.1	111.1
Total Operating Expenses	\$ 1,325.2	\$ 1,196.0	\$ 1,268.6	\$ 1,513.8	\$ 2,018.5

Expenditures by Fund

Operating Expenses					
General Fund	\$ 1,325.2	\$ 1,196.0	\$ 1,268.6	\$ 1,513.8	\$ 2,018.5
CAGR Account	-	-	-	-	-
Other Funds and Accounts	-	-	-	-	-
Total Operating Expenses	\$ 1,325.2	\$ 1,196.0	\$ 1,268.6	\$ 1,513.8	\$ 2,018.5
Capital Expenditures	-	-	-	-	-
Total Expenditures	\$ 1,325.2	\$ 1,196.0	\$ 1,268.6	\$ 1,513.8	\$ 2,018.5
Staffing (FTE)	6.5	6.8	7.4	6.5	6.5

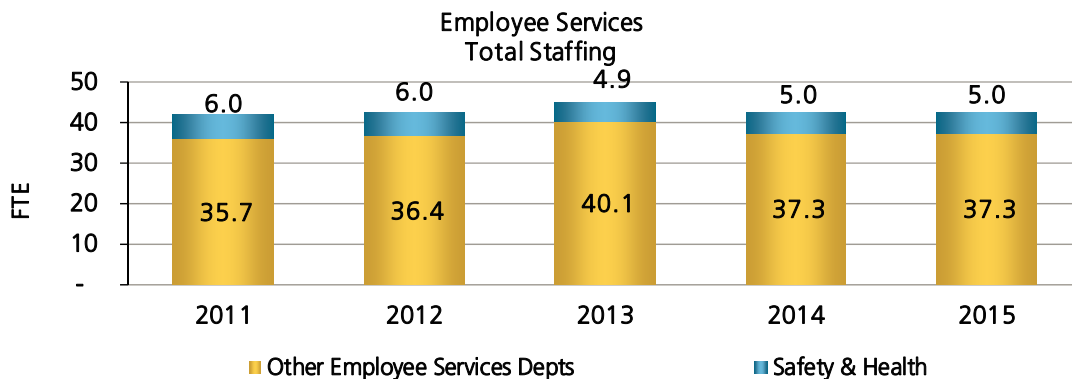
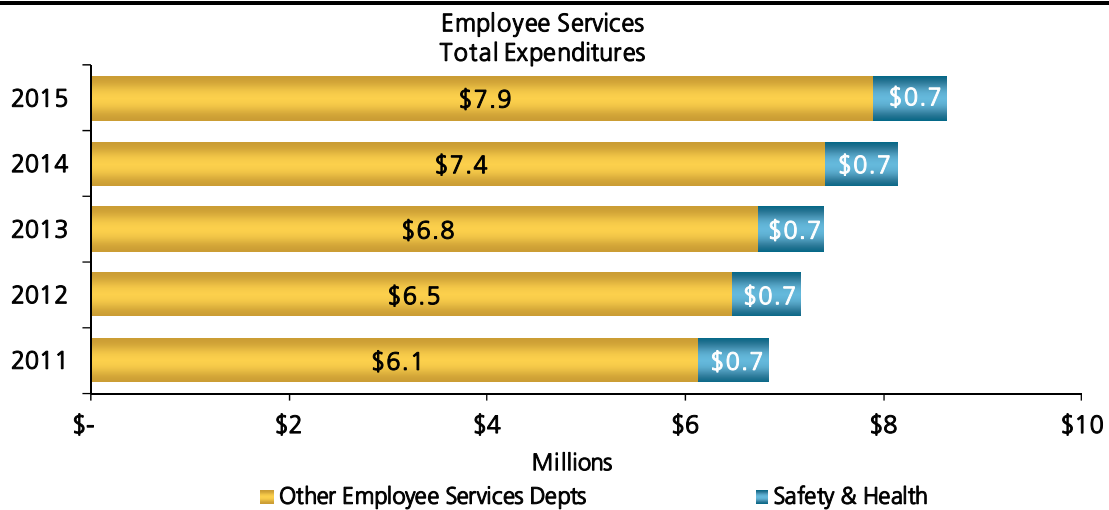


EMPLOYEE SERVICES
SAFETY & HEALTH SERVICES

(Dollars in Thousands)	2011 Actuals	2012 Actuals	2013 Projected	2014 Budget	2015 Budget
Operating Expenses					
Salaries & wages	\$ 512.8	\$ 515.3	\$ 413.9	\$ 436.9	\$ 449.9
Outside services	83.5	83.8	135.5	134.0	131.0
Materials & supplies	49.9	47.1	45.9	85.0	85.0
Other expenses	60.8	57.5	55.8	64.5	63.9
Total Operating Expenses	\$ 707.0	\$ 703.7	\$ 651.1	\$ 720.4	\$ 729.8

Expenditures by Fund

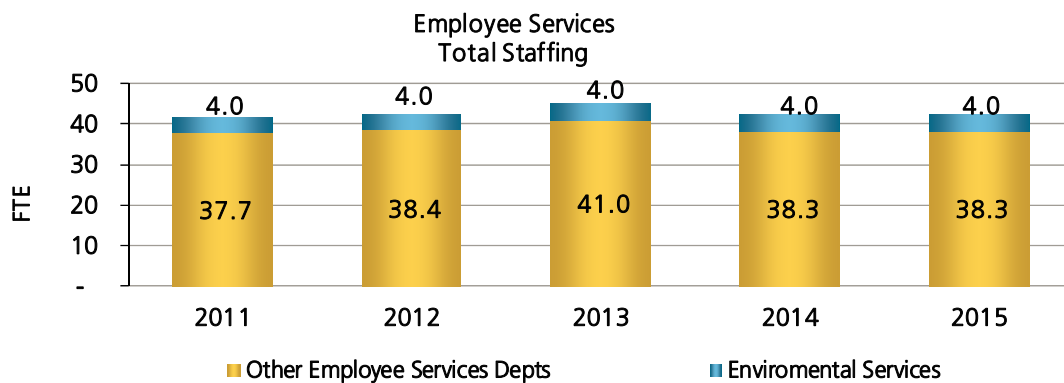
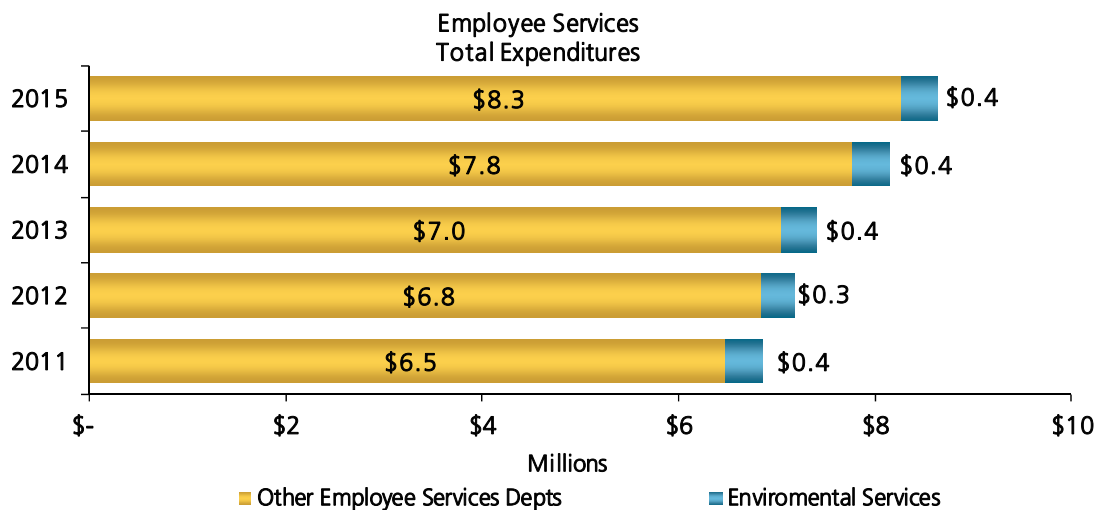
Operating Expenses					
General Fund	\$ 707.0	\$ 703.7	\$ 651.1	\$ 720.4	\$ 729.8
CAGR Account	-	-	-	-	-
Other Funds and Accounts	-	-	-	-	-
Total Operating Expenses	\$ 707.0	\$ 703.7	\$ 651.1	\$ 720.4	\$ 729.8
Capital Expenditures	-	-	-	-	-
Total Expenditures	\$ 707.0	\$ 703.7	\$ 651.1	\$ 720.4	\$ 729.8
Staffing (FTE)	6.0	6.0	4.9	5.0	5.0



EMPLOYEE SERVICES ENVIRONMENTAL

<i>(Dollars in Thousands)</i>	2011 Actuals	2012 Actuals	2013 Projected	2014 Budget	2015 Budget
Operating Expenses					
Salaries & wages	\$ 272.8	\$ 275.5	\$ 276.8	\$ 286.1	\$ 294.7
Outside services	31.3	15.7	32.2	33.5	33.5
Materials & supplies	10.8	12.7	11.2	10.7	10.7
Other expenses	64.0	34.9	33.9	43.8	33.4
Total Operating Expenses	\$ 378.9	\$ 338.8	\$ 354.1	\$ 374.1	\$ 372.3

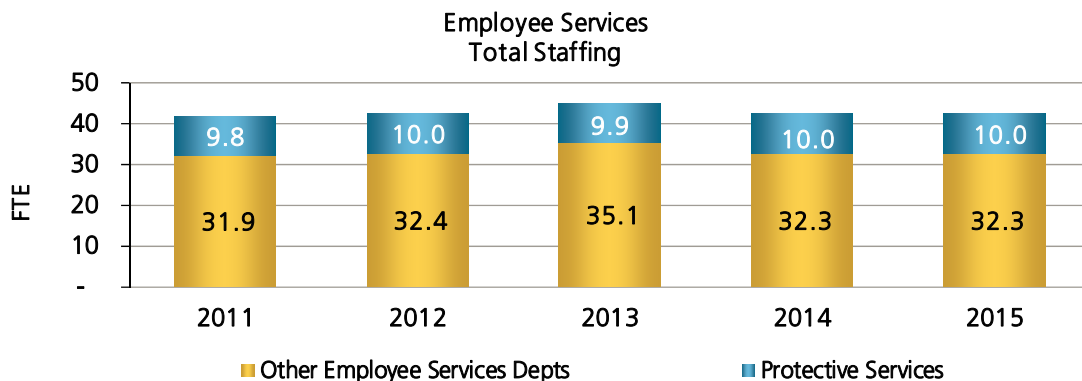
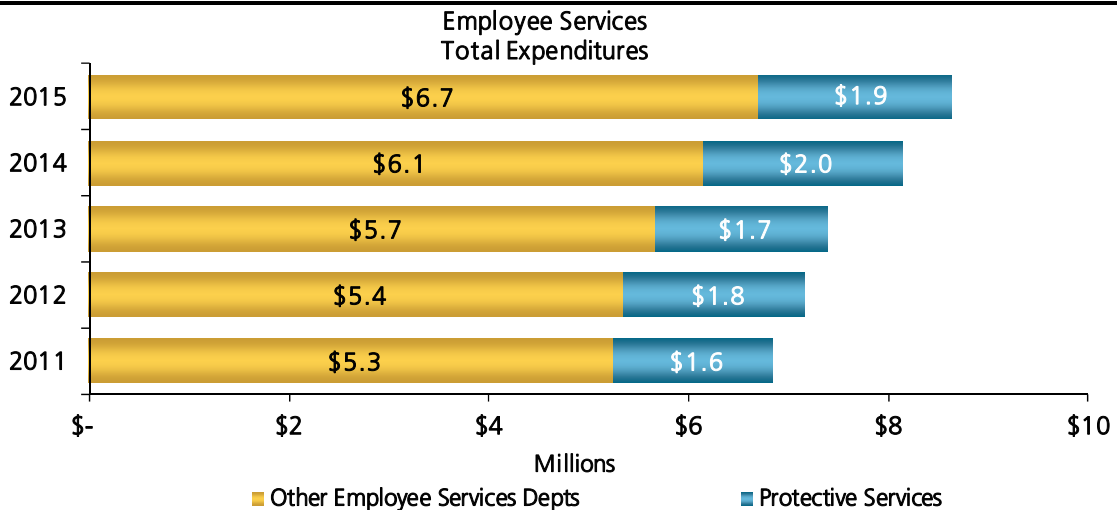
Expenditures by Fund					
Operating Expenses					
General Fund	\$ 378.9	\$ 338.8	\$ 354.1	\$ 374.1	\$ 372.3
CAGR Account	-	-	-	-	-
Other Funds and Accounts	-	-	-	-	-
Total Operating Expenses	\$ 378.9	\$ 338.8	\$ 354.1	\$ 374.1	\$ 372.3
Capital Expenditures	-	-	-	-	-
Total Expenditures	\$ 378.9	\$ 338.8	\$ 354.1	\$ 374.1	\$ 372.3
Staffing (FTE)	4.0	4.0	4.0	4.0	4.0



EMPLOYEE SERVICES
PROTECTIVE SERVICES

(Dollars in Thousands)	2011 Actuals	2012 Actuals	2013 Projected	2014 Budget	2015 Budget
Operating Expenses					
Salaries & wages	\$ 655.7	\$ 667.8	\$ 679.9	\$ 700.1	\$ 720.7
Outside services	812.7	775.1	894.5	1,051.5	1,051.5
Materials & supplies	118.3	84.5	131.5	132.0	132.0
Other expenses	6.5	4.7	21.0	19.9	19.2
Total Operating Expenses	\$ 1,593.2	\$ 1,532.1	\$ 1,726.9	\$ 1,903.5	\$ 1,923.4

Expenditures by Fund					
Operating Expenses					
General Fund	\$ 1,593.2	\$ 1,532.1	\$ 1,726.9	\$ 1,903.5	\$ 1,923.4
CAGR Account	-	-	-	-	-
Other Funds and Accounts	-	-	-	-	-
Total Operating Expenses	\$ 1,593.2	\$ 1,532.1	\$ 1,726.9	\$ 1,903.5	\$ 1,923.4
Capital Expenditures	-	288.6	4.9	90.0	-
Total Expenditures	\$ 1,593.2	\$ 1,820.7	\$ 1,731.8	\$ 1,993.5	\$ 1,923.4
Staffing (FTE)	9.8	10.0	9.9	10.0	10.0

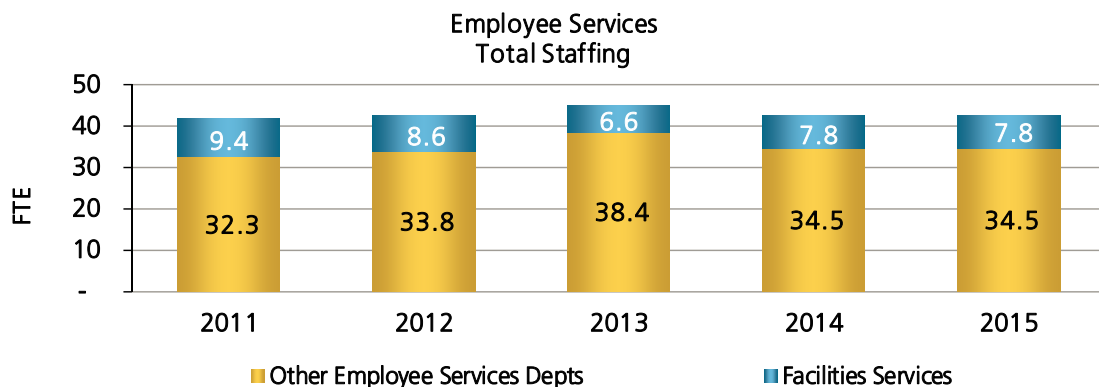
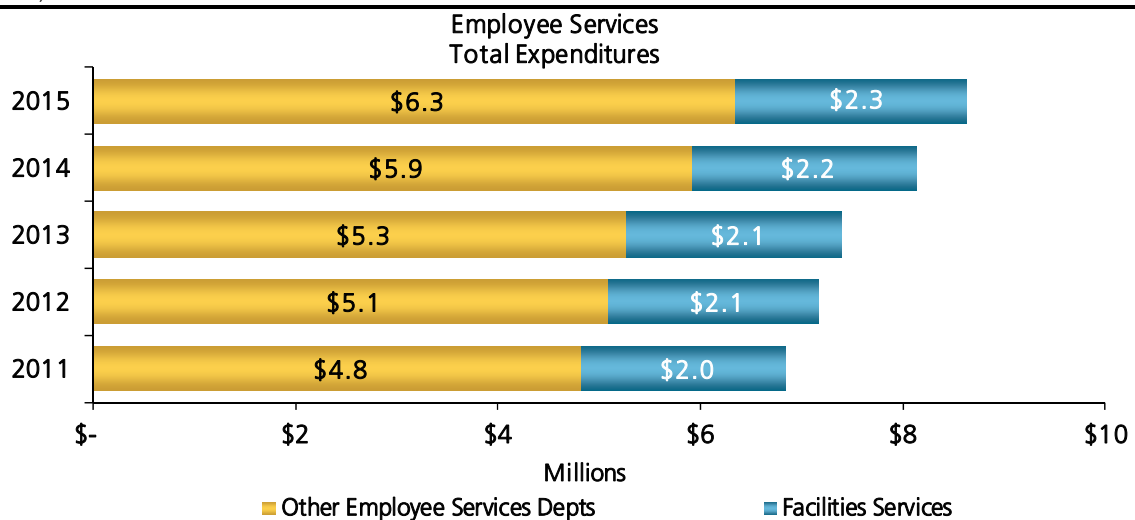


EMPLOYEE SERVICES FACILITIES SERVICES

<i>(Dollars in Thousands)</i>	2011 Actuals	2012 Actuals	2013 Projected	2014 Budget	2015 Budget
Operating Expenses					
Salaries & wages	\$ 405.4	\$ 368.2	\$ 372.1	\$ 436.7	\$ 449.7
Outside services	1,524.5	1,477.1	1,438.9	1,395.5	1,457.4
Materials & supplies	67.9	112.4	101.7	305.0	260.0
Other expenses	17.2	10.0	8.9	13.3	11.3
Total Operating Expenses	\$ 2,015.0	\$ 1,967.7	\$ 1,921.6	\$ 2,150.5	\$ 2,178.4

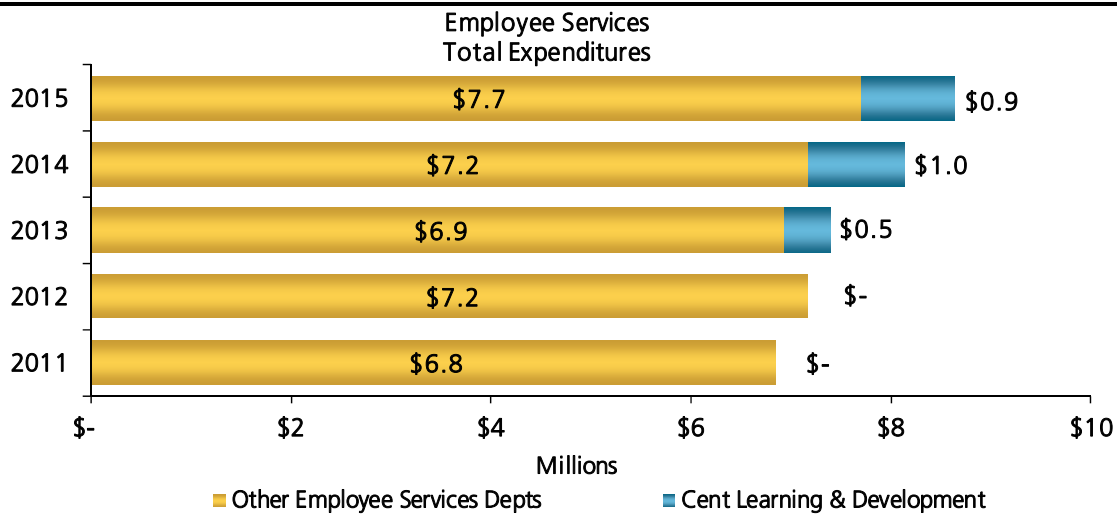
Expenditures by Fund

Operating Expenses					
General Fund	\$ 2,015.0	\$ 1,967.7	\$ 1,921.6	\$ 2,150.5	\$ 2,178.4
CAGR Account	-	-	-	-	-
Other Funds and Accounts	-	-	-	-	-
Total Operating Expenses	\$ 2,015.0	\$ 1,967.7	\$ 1,921.6	\$ 2,150.5	\$ 2,178.4
Capital Expenditures	-	120.2	200.0	67.0	110.0
Total Expenditures	\$ 2,015.0	\$ 2,087.9	\$ 2,121.6	\$ 2,217.5	\$ 2,288.4
Staffing (FTE)	9.4	8.6	6.6	7.8	7.8



EMPLOYEE SERVICES CENTRALIZED LEARNING & DEVELOPMENT

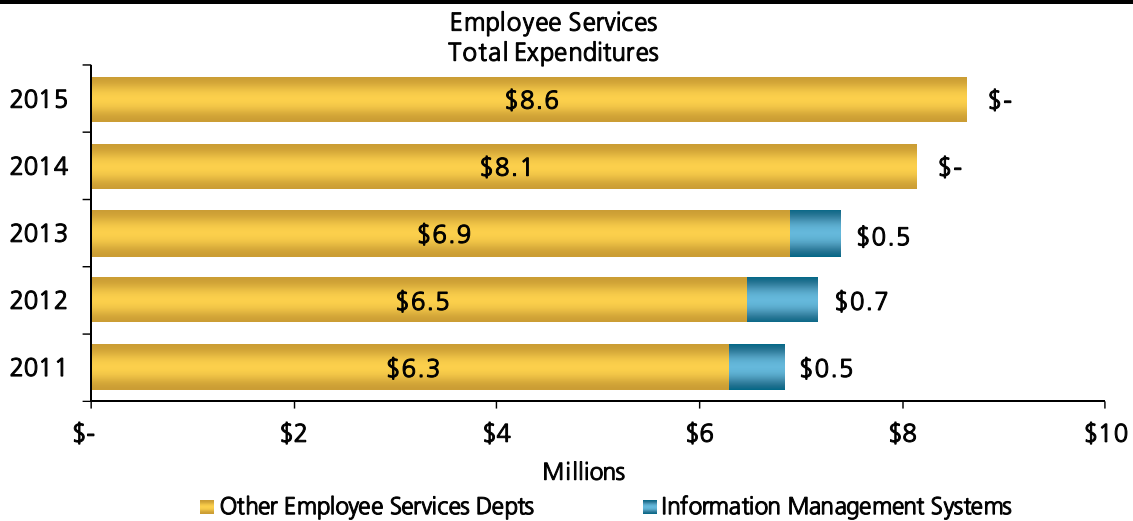
<i>(Dollars in Thousands)</i>	2011 Actuals	2012 Actuals	2013 Projected	2014 Budget	2015 Budget
Operating Expenses					
Salaries & wages	\$ -	\$ -	\$ 419.2	\$ 463.9	\$ 477.7
Outside services	-	-	-	261.5	263.2
Materials & supplies	-	-	0.6	12.9	5.4
Other expenses	-	-	39.3	197.5	180.9
Total Operating Expenses	\$ -	\$ -	\$ 459.1	\$ 935.8	\$ 927.2
Expenditures by Fund					
Operating Expenses					
General Fund	\$ -	\$ -	\$ 459.1	\$ 935.8	\$ 927.2
CAGR Account	-	-	-	-	-
Other Funds and Accounts	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ 459.1	\$ 935.8	\$ 927.2
Capital Expenditures	-	-	-	22.5	-
Total Expenditures	\$ -	\$ -	\$ 459.1	\$ 958.3	\$ 927.2
Staffing (FTE)	-	-	5.5	6.0	6.0



EMPLOYEE SERVICES INFORMATION MANAGEMENT SYSTEMS

(Dollars in Thousands)	2011 Actuals	2012 Actuals	2013 Projected	2014 Budget	2015 Budget
Operating Expenses					
Salaries & wages	\$ 393.7	\$ 388.0	\$ 279.9	\$ -	\$ -
Outside services	147.9	276.3	200.7	-	-
Materials & supplies	1.0	14.9	3.9	-	-
Other expenses	6.4	15.3	11.0	-	-
Total Operating Expenses	\$ 549.0	\$ 694.5	\$ 495.5	\$ -	\$ -

Expenditures by Fund	2011 Actuals	2012 Actuals	2013 Projected	2014 Budget	2015 Budget
Operating Expenses					
General Fund	\$ 549.0	\$ 694.5	\$ 495.5	\$ -	\$ -
CAGR Account	-	-	-	-	-
Other Funds and Accounts	-	-	-	-	-
Total Operating Expenses	\$ 549.0	\$ 694.5	\$ 495.5	\$ -	\$ -
Capital Expenditures	-	-	-	-	-
Total Expenditures	\$ 549.0	\$ 694.5	\$ 495.5	\$ -	\$ -
Staffing (FTE)	4.0	4.0	4.0	-	-



FINANCE & INFORMATION TECHNOLOGIES

Mission: The Finance and Information Technologies Group provides financial planning, analysis and reporting; supports business objectives by providing necessary technology tools; manages financial resources; provides efficient and cost-effective material management services; maintains financial integrity and provides financial information to internal and external customers and constituents.

FINANCE & INFORMATION TECHNOLOGIES
 Theodore C. Cooke
 Assistant General Manager
 623-869-2167

The Finance & Information Technologies Group is responsible for managing financial, technology and material resources on behalf of the District.

Information Technologies
(I.T. ERP, Data Integration & I.T. Infrastructure)
 Phil Cook
 623-869-2299

Responsible for the operation, maintenance and business continuity of the information technology infrastructure including applications, networks, servers and workstations located at CAWCD headquarters and the structures along the CAP canal.

Finance & Accounting
 Doug Dunlap
 623-869-2360

Responsible for financial analysis and statement reporting according to generally accepted accounting principles. Responsible for budget development and management, long-range financial planning, cash and treasury management, accounts receivable and payable, payroll, accountable property and working with outside auditors during the annual financial audit.

Material Control & Distribution
(Purchasing & Warehouse)
 Gerald Lubash
 623-869-2632

Responsible for the procurement of goods and services, inventory control, distribution of materials, supplies and equipment to various locations.

Risk Management
 Debbie Jo Maust
 623-869-2160

Responsible for coordinating the District's risk management activities to control the cost of risk through risk avoidance, risk control and risk financing, managing the CAWCD captive insurance company and administering the property & casualty and worker's compensation insurance programs.

FINANCE & INFORMATION TECHNOLOGIES
 ACCOMPLISHMENTS - 2012 AND 2013

Key Result Area	Strategy	2012-2013 Goals & Accomplishments
Finance	Maintain coordinated financial strategies (budget, reporting, revenues, expenditures, rates, taxes, reserves)	<p>Goal: Implement the Enterprise Financial Planning (EFP) system within 2 years.</p> <p>Accomplishment: System went live in 2011. Quarterly reporting in 2012. First 2-year budget in 2013.</p>
		<p>Goal: Improve communication between the cost centers and the finance group.</p> <p>Accomplishment: 75%+ meetings with departments quarterly to review and discuss forecast explanations.</p>
		<p>Goal: Develop an asset management cost structure to easily measure and control activity-based costs, including tracking costs relative to individual assets or activities.</p> <p>Accomplishment: On hold pending outcome of Infor upgrades and long-term plans for EAM systems.</p>
		<p>Goal: Develop a strategy to maintain stable and predictable rates, including appropriate reserves and rate stabilization mechanism to be used during a shortage.</p> <p>Accomplishment: Created a rate/shortage stabilization fund. Reviewed rates and reserves extensively with Board. Updated reserve strategy.</p>
Water Supply	Obtain sufficient water supplies to meet long-term replenishment obligation and ADD Water requirements	<p>Goal: Develop and implement revenue generation mechanisms such as bonding, rates, fees, that are sufficient to carry out water supply acquisition plan.</p> <p>Accomplishment: Met with potential bond issuer to understand important considerations. Evaluating CAGR rates and possible rate structure changes.</p>
		<p>Goal: Develop and implement a comprehensive plan for ADD Water program, including policies, procedures, budget and financial mechanisms.</p> <p>Accomplishment: A wheeling policy and methodology is the first thing that must happen. Working with the Bureau of Reclamation and stakeholders on this.</p>
Project Reliability	Establish an Enterprise Risk Management Program	<p>Goal: Create a decision-making framework that evaluates and mitigates risks of varying levels and types.</p> <p>Accomplishment: Risk assessment matrix used to evaluate and prioritize action plans in the Strategic Plan.</p>

FINANCE & INFORMATION TECHNOLOGIES
 ACCOMPLISHMENTS - 2012 AND 2013

Key Result Area	Strategy	2012-2013 Goals & Accomplishments
		<p>Goal: Identify the next ERP System within 2 years.</p> <p>Accomplishment: Oracle, Infor and Livelink systems selected through 2016. Oracle R12 upgrade completed in 2013.</p>
		<p>Goal: Improve effectiveness and functionality of INFOR EAM for planning of maintenance activities.</p> <p>Accomplishment: Infor upgrades were completed as required in 2012. Functional ownership remains in Maintenance.</p>
		<p>Goal: Review processes to ensure they address equipment and procurement lead times; re-evaluate materials handling processes including kitting and stock levels.</p> <p>Accomplishment: Launched E-bids application. Material processes evaluated to ensure optimum supply chain efficiencies. Won the Achievement of Excellence in Procurement Award for the 5th consecutive year.</p>
Project Reliability		<p>Goal: Investigate the feasibility of a data warehouse; enhance information sharing by eliminating database silos.</p> <p>Accomplishment: Created Data Integration division; identified process gaps with respect to creating, storing and sharing data across departments.</p>
		<p>Goal: Implement web services to securely share information with the outside world including consultants and other utilities.</p> <p>Accomplishment: Water Management System phase I project selected to share information internally. Phase II will provide external access to public information. Upgrades and expansion of the CanalViewer was also used to provide tools to share Geographic Information System (GIS), drawings, asset management and support CAP projects across several departments.</p>
		<p>Goal: Review GIS program: Link 3-D modeling and GIS functions, streamline sharing of GIS data with internal and external customers, clarify relationship between the IT GIS program and Project Management's GIS functions</p> <p>Accomplishment: There are several ongoing projects that support Engineering, CAGR, Business Planning and Water Control. The projects roll up into the CanalViewer system to share GIS, asset, crossing and utility information across CAP departments.</p>
	Improve technology management	

FINANCE & INFORMATION TECHNOLOGIES
 BUSINESS GOALS - 2014 AND 2015

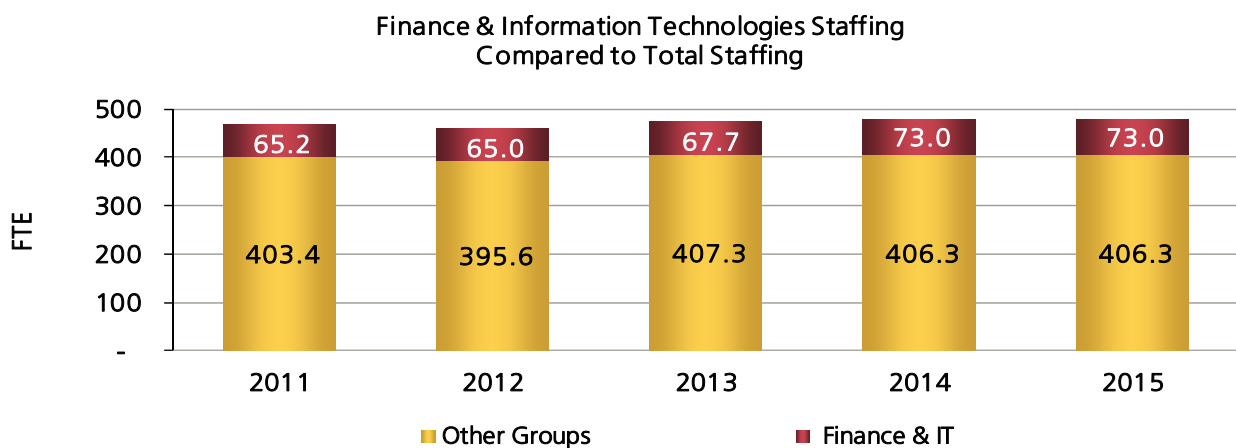
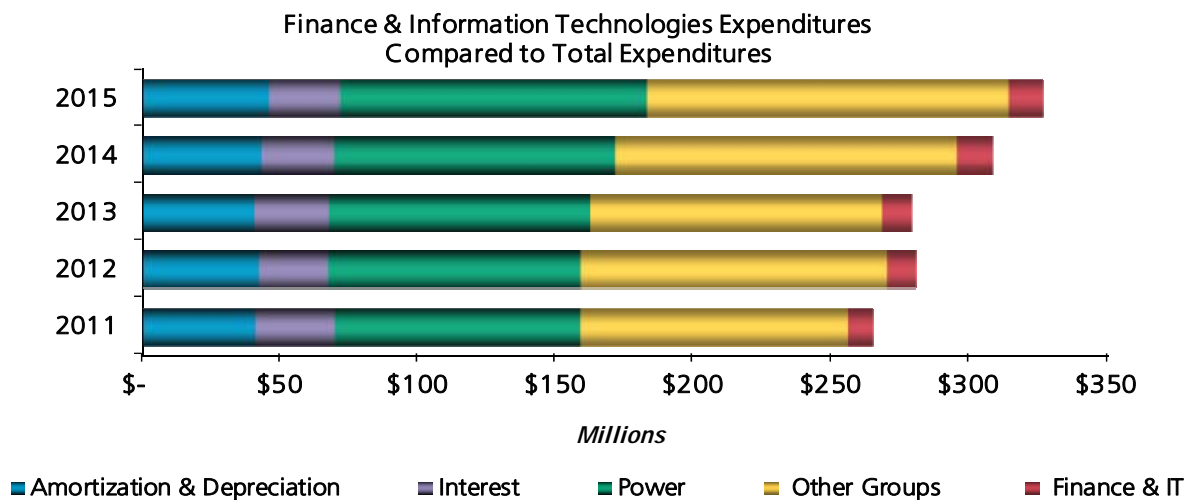
Key Result Area	Strategy	2014-2015 Goals
Leadership & Public Trust	Educate about CAP and improve understanding of water, power issues and canal safety	<p>Further develop amount and type of content presented electronically to internal and external entities</p> <p>Measure/Target: Completion of web service projects to share information with CAP internal and external customers. With a target of completing Water Management System Phase II by December 31, 2014. Complete mobile strategy by December 31, 2014 to support internal/external customers with access to business applications.</p>
	Maintain coordinated financial strategies (budget, reporting, revenues, expenditures, rates, taxes, reserves)	<p>Develop an asset management cost structure to easily measure and control activity-based costs, including tracking costs relative to individual assets or activities.</p> <p>Measure/Target: Accuracy of asset costs in Infor (Enterprise Maintenance Asset Management System) vs Oracle (financial system of record) - with a target of asset costs match in both Oracle and Infor, thus providing an accurate measurement of individual asset expenditures in Infor. Close gaps and achieve 100% match by the end of 2016.</p>
Finance		<p>Investigate the feasibility of a data warehouse to pull information from among many different sources and be saved in many different formats.</p> <p>Measure/Target: Match data lifecycle to content management needs through tiered storage. Requirements gathering will consider a data warehouse, or equivalent, to support data integration efforts. With a target of completing storage initiative with available tiered storage by the end of 2015.</p>
	Optimize use of CAP assets to meet customer needs and generate opportunities to enhance revenues	<p>Review CAP assets and identify opportunities for income generation, increased utilization, disposal and/or reduction liability.</p> <p>Measure/Target: Enhance surplus/obsolete asset disposal process by creating a workflow process and e-form. Establish an internal online catalog of used items to give employees throughout CAP the chance to reuse items internally before the disposal process begins.</p>
	Review CAP assets and identify opportunities	<p>Review CAWCD's captive insurance company to determine if optimally domiciled.</p>

FINANCE & INFORMATION TECHNOLOGIES
 BUSINESS GOALS - 2014 AND 2015

Key Result Area	Strategy	2014-2015 Goals
Project Reliability	Develop an IT strategic plan, governance framework and enterprise architecture to align IT strategies with business and operational strategies	Develop an IT strategic plan, governance framework and enterprise architecture to align IT strategies with business and operational strategies. Measure/Target: Complete review and update the technology strategy by the end of 2014. Implement two Enterprise Architecture projects by the end of 2015.
	Establish an Enterprise Risk Management program	Create a decision-making framework that evaluates and mitigates risks of varying levels and types (e.g., business, technology, financial, workforce, property/infrastructure, operations, etc.)
	Prepare for business disasters and threats	Protect and secure CAP's IT assets and information. Protect sensitive business information, vital records and preserve historical information. Measure/Target: Successful quarterly disaster recovery exercises. Improve availability, security and recoverability of CAP data. With a target of testing and recovery of 13 critical business applications. Meet SLA, server and backup targets. Zero unscheduled outages. Zero CIRT incidents. Zero hacking issues from inside or outside threats.
	Improve technology management	Review GIS program: Link 3-D modeling and GIS functions, streamline sharing of GIS data with internal and external customers, clarify relationship between the IT GIS program and Project Management's GIS functions.
Water Supply	Obtain sufficient water supplies to meet long-term replenishment obligation and ADD Water requirements	Develop and implement revenue generation mechanisms such as bonding, rates, fees, that are sufficient to carry out water supply acquisition plan. Measure/Target: Plan of Operation for 2015 includes "Collect More Sooner" and other risk-reduction mechanisms requested by the Board. Support development of wheeling policy and financial methodology by the end of 2015.

FINANCE & INFORMATION TECHNOLOGIES BUDGET SUMMARY

<i>(Dollars in Thousands)</i>	2011 Actuals	2012 Actuals	2013 Projected	2014 Budget	2015 Budget
Operating Expenses					
Salaries & wages	\$ 5,116.5	\$ 5,115.4	\$ 5,341.3	\$ 5,949.3	\$ 6,123.0
Outside services	1,667.8	2,643.1	2,886.8	3,815.1	3,626.7
Materials & supplies	834.3	1,080.3	982.7	1,126.1	1,147.6
Other expenses	1,612.2	1,819.9	1,712.1	1,820.7	1,835.1
Total Operating Expenses	\$ 9,230.8	\$ 10,658.7	\$ 10,922.9	\$ 12,711.2	\$ 12,732.4
Expenditures by Fund / Account					
Operating Expenses					
General Fund	\$ 9,230.8	\$ 10,658.7	\$ 10,922.9	\$ 12,711.2	\$ 12,732.4
CAGR Account	-	-	-	-	-
Other Funds and Accounts	-	-	-	-	-
Total Operating Expenses	\$ 9,230.8	\$ 10,658.7	\$ 10,922.9	\$ 12,711.2	\$ 12,732.4
Capital Expenditures	317.4	1,756.6	1,603.9	4,402.4	852.4
Total Expenditures	\$ 9,548.2	\$ 12,415.3	\$ 12,526.8	\$ 17,113.6	\$ 13,584.8
Staffing (FTE)	65.2	65.0	67.7	73.0	73.0

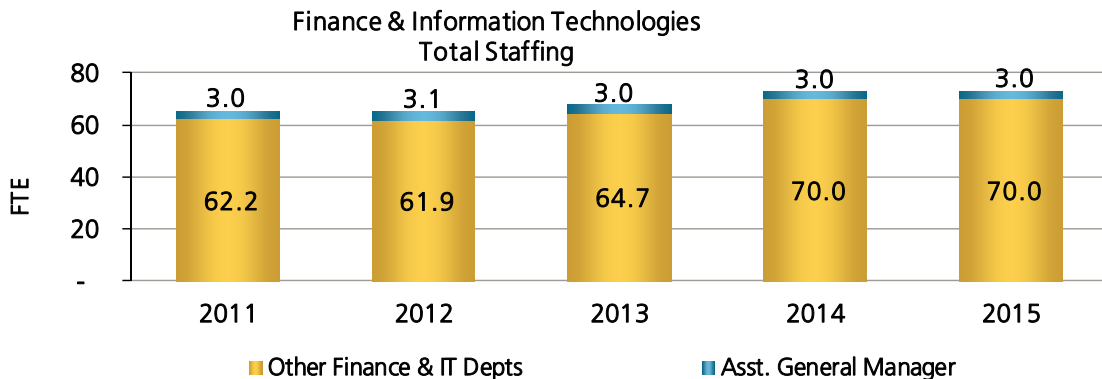
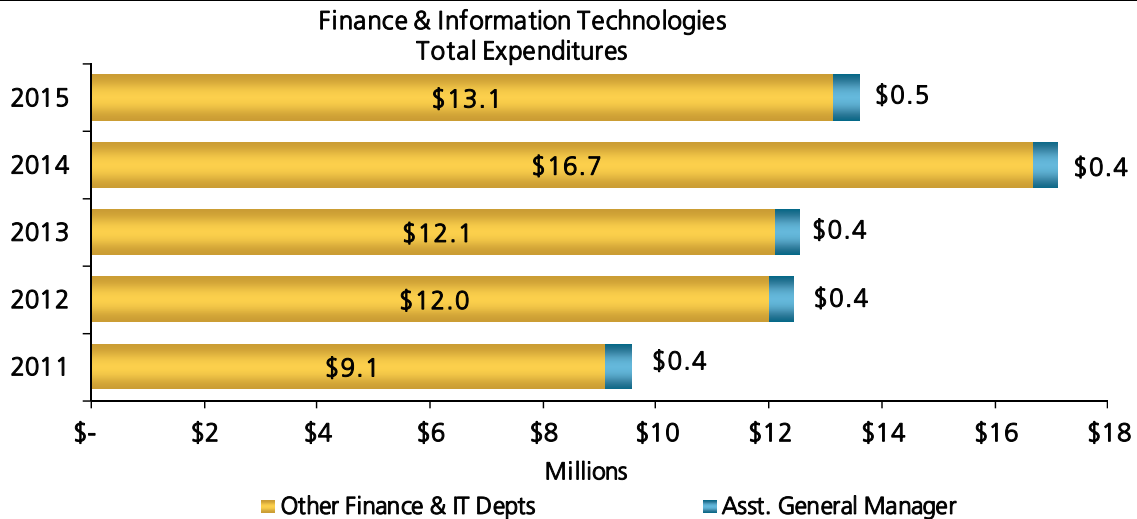


FINANCE & INFORMATION TECHNOLOGIES ASSISTANT GENERAL MANAGER

(Dollars in Thousands)	2011 Actuals	2012 Actuals	2013 Projected	2014 Budget	2015 Budget
Operating Expenses					
Salaries & wages	\$ 392.0	\$ 409.8	\$ 399.0	\$ 413.0	\$ 425.3
Outside services	19.8	-	1.5	-	-
Materials & supplies	12.2	11.2	13.6	15.5	15.5
Other expenses	19.6	6.5	21.2	10.8	10.8
Total Operating Expenses	\$ 443.6	\$ 427.5	\$ 435.3	\$ 439.3	\$ 451.6

Expenditures by Fund / Account

Operating Expenses					
General Fund	\$ 443.6	\$ 427.5	\$ 435.3	\$ 439.3	\$ 451.6
CAGR Account	-	-	-	-	-
Other Funds and Accounts	-	-	-	-	-
Total Operating Expenses	\$ 443.6	\$ 427.5	\$ 435.3	\$ 439.3	\$ 451.6
Capital Expenditures	-	-	-	-	-
Total Expenditures	\$ 443.6	\$ 427.5	\$ 435.3	\$ 439.3	\$ 451.6
Staffing (FTE)	3.0	3.1	3.0	3.0	3.0

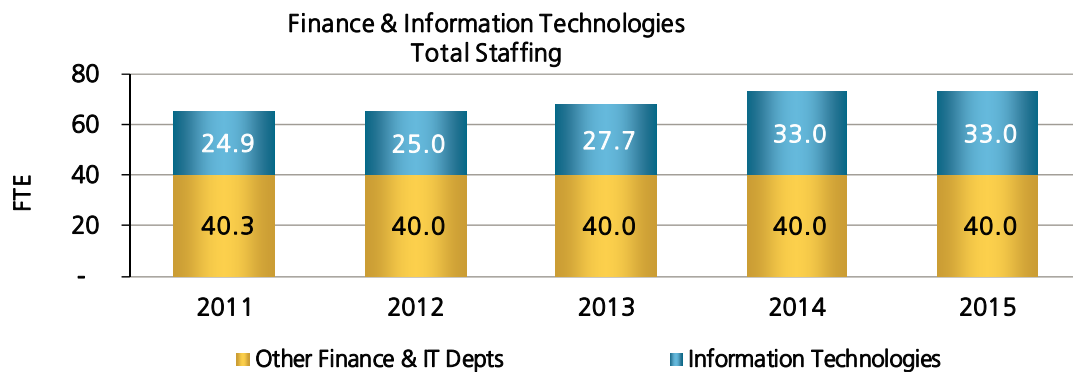
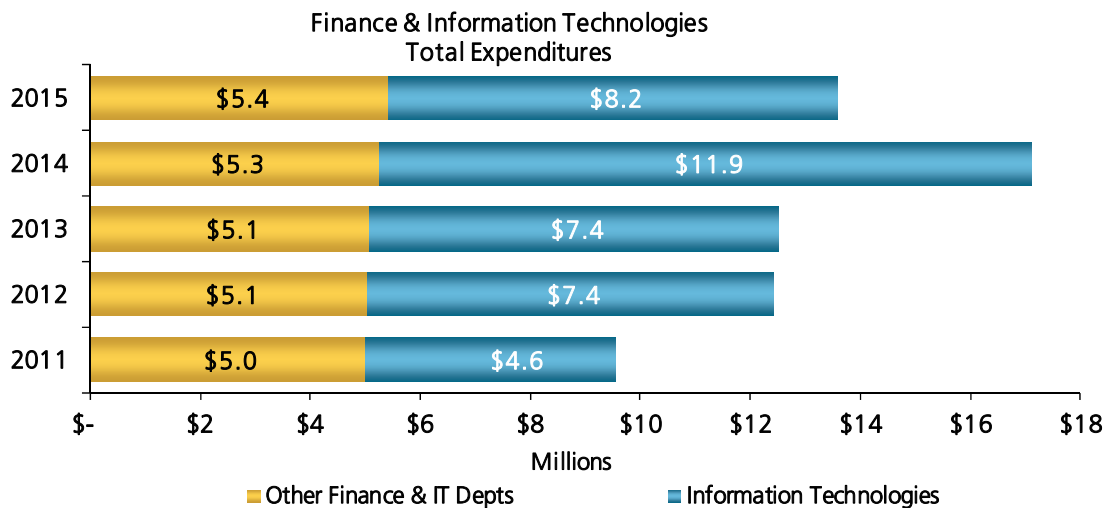


FINANCE & INFORMATION TECHNOLOGIES

INFORMATION TECHNOLOGIES

<i>(Dollars in Thousands)</i>	2011 Actuals	2012 Actuals	2013 Projected	2014 Budget	2015 Budget
Operating Expenses					
Salaries & wages	\$ 2,186.4	\$ 2,231.4	\$ 2,429.9	\$ 2,931.8	\$ 3,014.9
Outside services	1,434.0	2,441.3	2,609.5	3,597.5	3,366.6
Materials & supplies	463.2	660.4	555.2	660.2	659.7
Other expenses	150.4	268.4	249.2	266.2	264.4
Total Operating Expenses	\$ 4,234.0	\$ 5,601.5	\$ 5,843.8	\$ 7,455.7	\$ 7,305.6

Expenditures by Fund					
Operating Expenses					
General Fund	\$ 4,234.0	\$ 5,601.5	\$ 5,843.8	\$ 7,455.7	\$ 7,305.6
CAGR Account	-	-	-	-	-
Other Funds and Accounts	-	-	-	-	-
Total Operating Expenses	\$ 4,234.0	\$ 5,601.5	\$ 5,843.8	\$ 7,455.7	\$ 7,305.6
Capital Expenditures	317.4	1,756.6	1,603.9	4,402.4	852.4
Total Expenditures	\$ 4,551.4	\$ 7,358.1	\$ 7,447.7	\$ 11,858.1	\$ 8,158.0
Staffing (FTE)	24.9	25.0	27.7	33.0	33.0



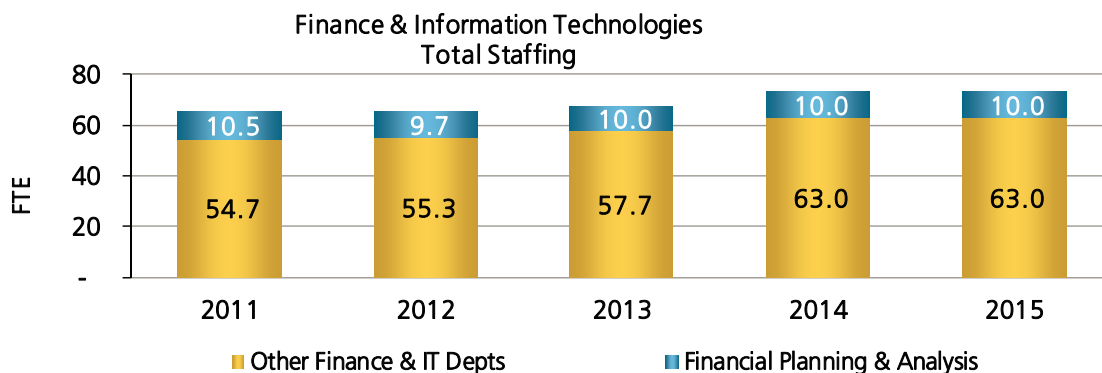
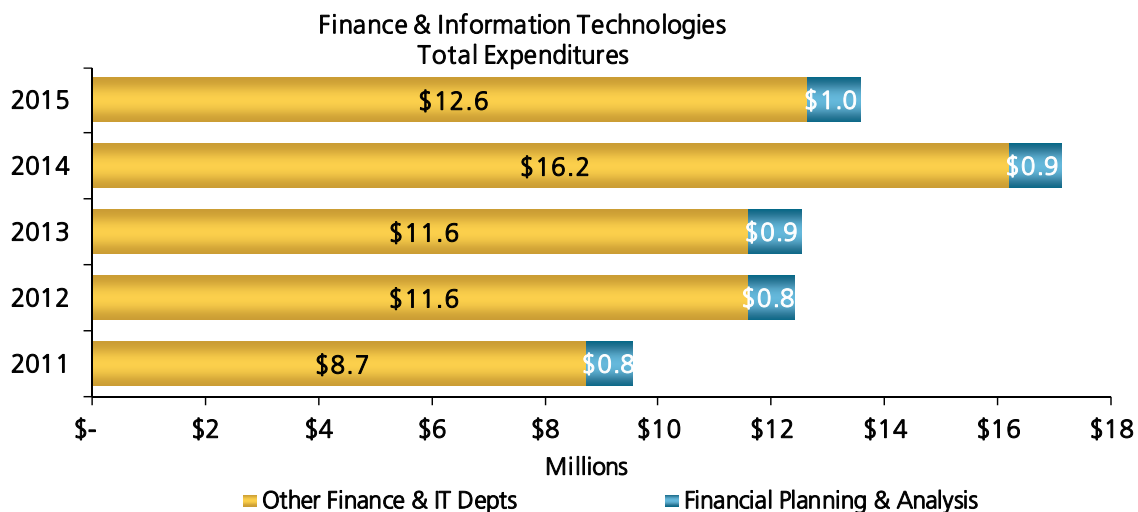
FINANCE & INFORMATION TECHNOLOGIES FINANCIAL PLANNING & ANALYSIS

(Dollars in Thousands)	2011 Actuals	2012 Actuals	2013 Projected	2014 Budget	2015 Budget
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Operating Expenses					
Salaries & wages	\$ 744.8	\$ 759.6	\$ 774.2	\$ 795.1	\$ 819.9
Outside services	58.1	45.1	131.0	60.6	93.1
Materials & supplies	3.9	4.8	8.4	9.0	9.0
Other expenses	11.8	15.7	18.9	29.0	30.1
Total Operating Expenses	\$ 818.6	\$ 825.2	\$ 932.5	\$ 893.7	\$ 952.1

Expenditures by Fund

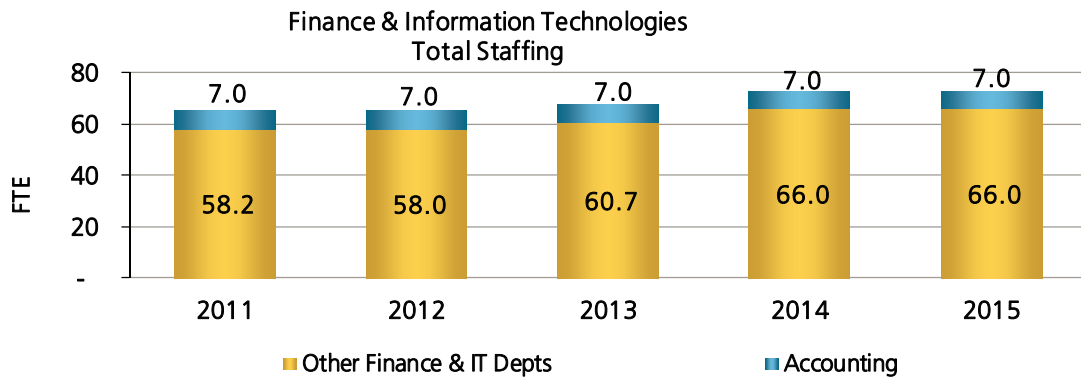
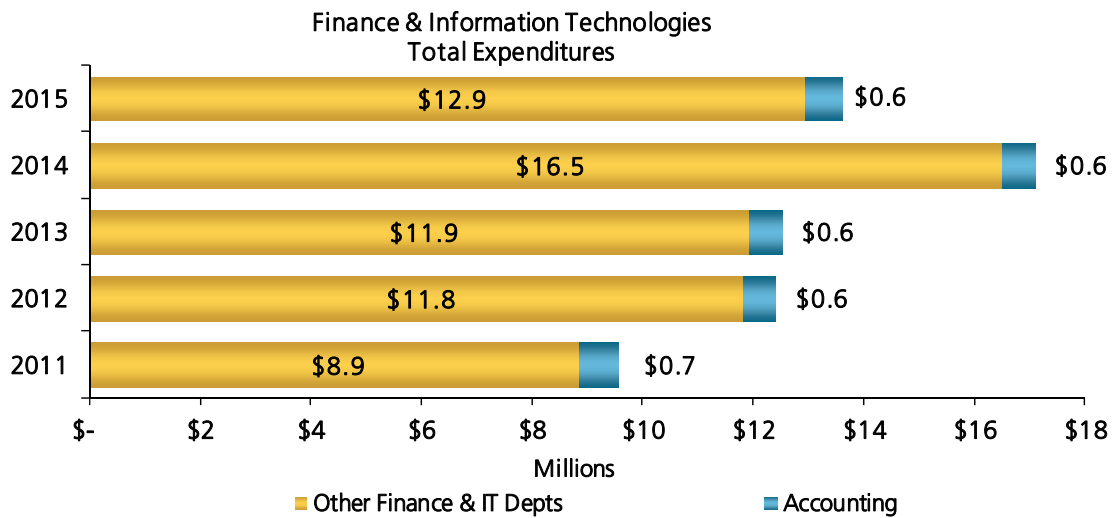
Operating Expenses					
General Fund	\$ 818.6	\$ 825.2	\$ 932.5	\$ 893.7	\$ 952.1
CAGR Account	-	-	-	-	-
Other Funds and Accounts	-	-	-	-	-
Total Operating Expenses	\$ 818.6	\$ 825.2	\$ 932.5	\$ 893.7	\$ 952.1
Capital Expenditures	-	-	-	-	-
Total Expenditures	\$ 818.6	\$ 825.2	\$ 932.5	\$ 893.7	\$ 952.1
Staffing (FTE)	10.5	9.7	10.0	10.0	10.0



FINANCE & INFORMATION TECHNOLOGIES ACCOUNTING

<i>(Dollars in Thousands)</i>	2011 Actuals	2012 Actuals	2013 Projected	2014 Budget	2015 Budget
Operating Expenses					
Salaries & wages	\$ 531.8	\$ 430.7	\$ 436.8	\$ 452.8	\$ 466.3
Outside services	145.7	140.8	133.0	145.0	155.0
Materials & supplies	0.8	1.8	2.4	0.5	0.5
Other expenses	15.3	17.0	22.5	20.4	20.3
Total Operating Expenses	\$ 693.6	\$ 590.3	\$ 594.7	\$ 618.7	\$ 642.1

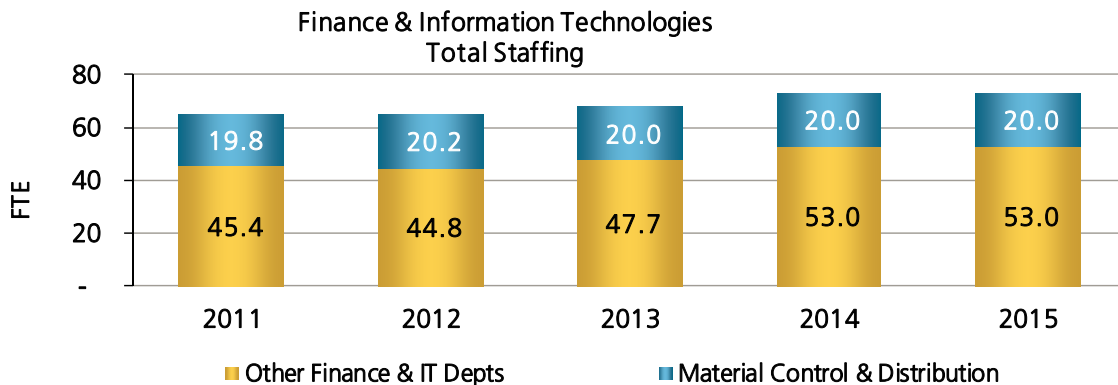
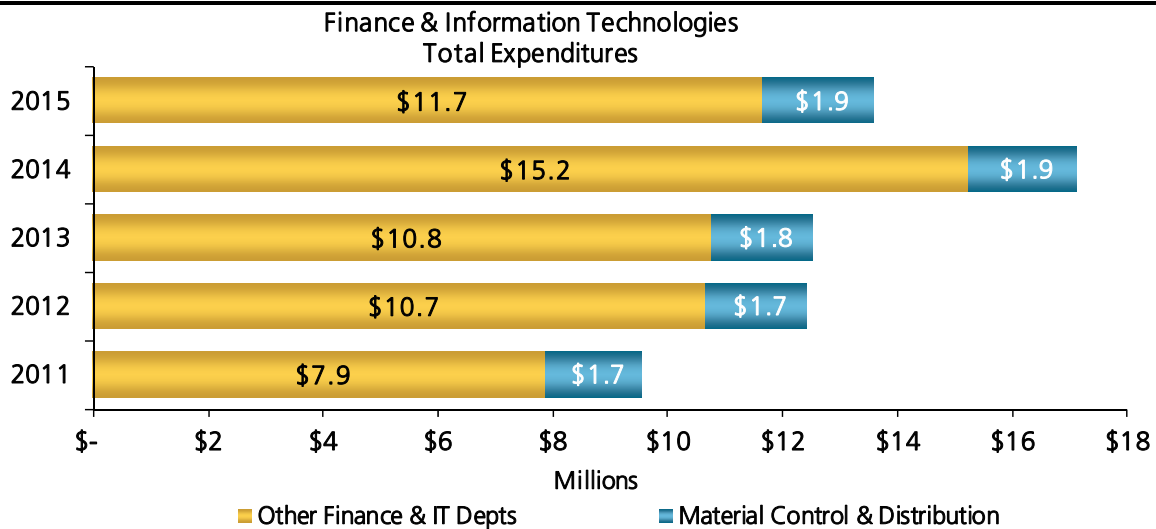
Expenditures by Fund					
Operating Expenses					
General Fund	\$ 693.6	\$ 590.3	\$ 594.7	\$ 618.7	\$ 642.1
CAGR Account	-	-	-	-	-
Other Funds and Accounts	-	-	-	-	-
Total Operating Expenses	\$ 693.6	\$ 590.3	\$ 594.7	\$ 618.7	\$ 642.1
Capital Expenditures	-	-	-	-	-
Total Expenditures	\$ 693.6	\$ 590.3	\$ 594.7	\$ 618.7	\$ 642.1
Staffing (FTE)	7.0	7.0	7.0	7.0	7.0



FINANCE & INFORMATION TECHNOLOGIES
MATERIAL CONTROL & DISTRIBUTION

(Dollars in Thousands)	2011 Actuals	2012 Actuals	2013 Projected	2014 Budget	2015 Budget
Operating Expenses					
Salaries & wages	\$ 1,261.5	\$ 1,283.9	\$ 1,301.4	\$ 1,356.6	\$ 1,396.6
Outside services	10.2	15.9	11.8	12.0	12.0
Materials & supplies	352.3	401.7	402.7	440.9	462.9
Other expenses	38.5	44.0	53.3	56.4	59.8
Total Operating Expenses	\$ 1,662.5	\$ 1,745.5	\$ 1,769.2	\$ 1,865.9	\$ 1,931.3

Expenditures by Fund					
Operating Expenses					
General Fund	\$ 1,662.5	\$ 1,745.5	\$ 1,769.2	\$ 1,865.9	\$ 1,931.3
CAGR Account	-	-	-	-	-
Other Funds and Accounts	-	-	-	-	-
Total Operating Expenses	\$ 1,662.5	\$ 1,745.5	\$ 1,769.2	\$ 1,865.9	\$ 1,931.3
Capital Expenditures	-	-	-	-	-
Total Expenditures	\$ 1,662.5	\$ 1,745.5	\$ 1,769.2	\$ 1,865.9	\$ 1,931.3
Staffing (FTE)	19.8	20.2	20.0	20.0	20.0



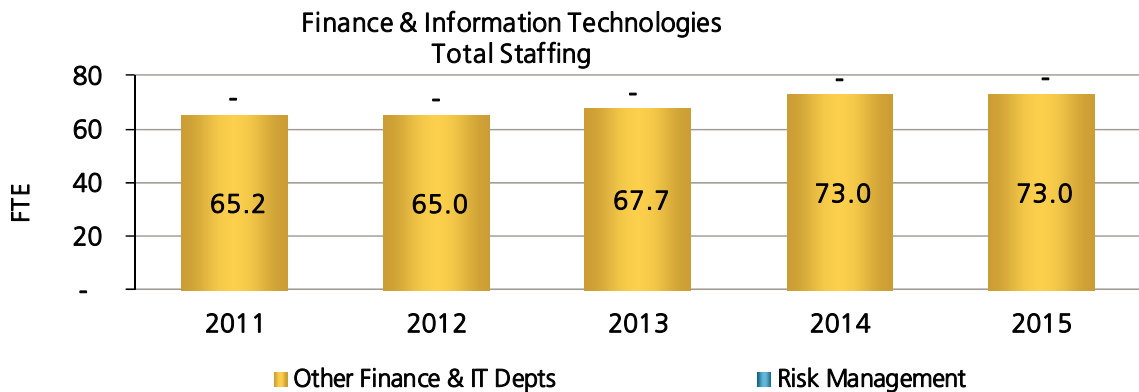
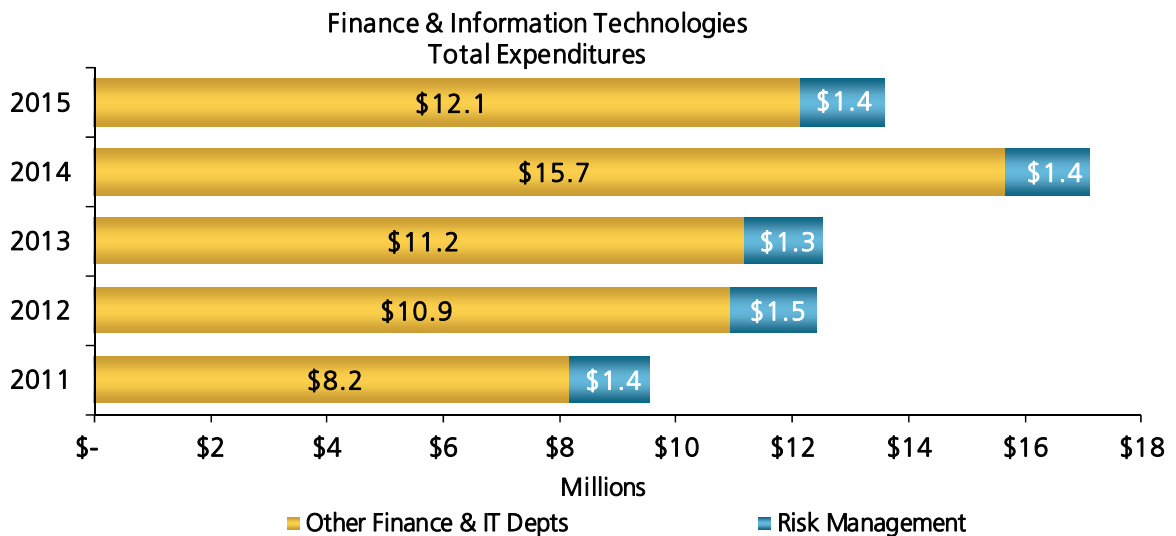
FINANCE & INFORMATION TECHNOLOGIES
RISK MANAGEMENT

<i>(Dollars in Thousands)</i>	2011 Actuals	2012 Actuals	2013 Projected	2014 Budget	2015 Budget
Operating Expenses					
Salaries & wages	\$ -	\$ -	\$ -	\$ -	\$ -
Outside services					
Materials & supplies	1.9	0.4	0.4	-	-
Other expenses	1,376.6	1,468.3	1,347.0	1,437.9	1,449.7
Total Operating Expenses	\$ 1,378.5	\$ 1,468.7	\$ 1,347.4	\$ 1,437.9	\$ 1,449.7

Expenditures by Fund / Account

Operating Expenses					
General Fund	\$ 1,378.5	\$ 1,468.7	\$ 1,347.4	\$ 1,437.9	\$ 1,449.7
CAGR Account	-	-	-	-	-
Other Funds and Accounts	-	-	-	-	-
Total Operating Expenses	\$ 1,378.5	\$ 1,468.7	\$ 1,347.4	\$ 1,437.9	\$ 1,449.7
Capital Expenditures	-	-	-	-	-
Total Expenditures	\$ 1,378.5	\$ 1,468.7	\$ 1,347.4	\$ 1,437.9	\$ 1,449.7

Staffing included with AGM (FTE)



LEGAL SERVICES

Mission: The Legal Services Group provides timely, effective and high-quality legal services to the Board of Directors, management and staff of the CAWCD.



Responsible for managing timely, effective and high-quality legal services to the CAWCD Board, management and staff in order to assure compliance with laws, regulations and policies applicable to CAWCD and support achievement of the District's strategic and business objectives.

LEGAL SERVICES

ACCOMPLISHMENTS - 2012 AND 2013

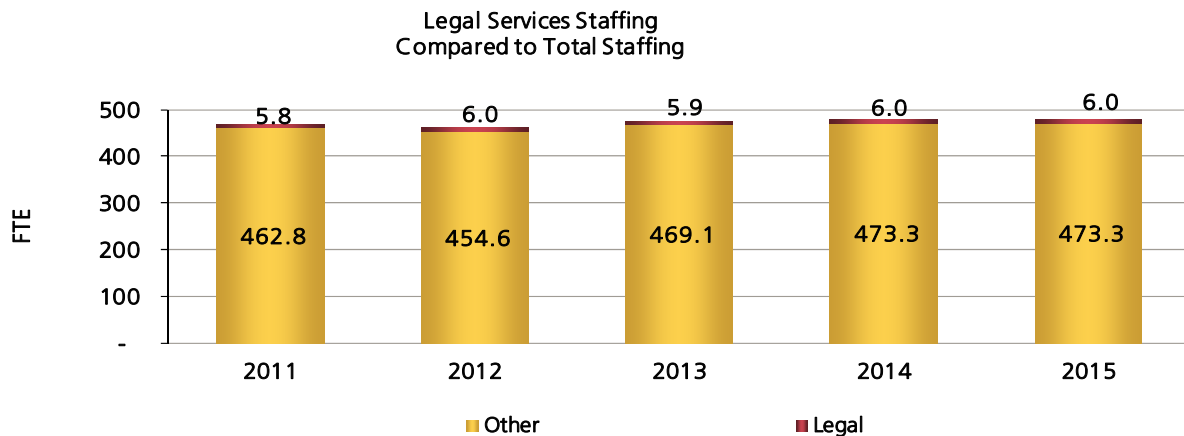
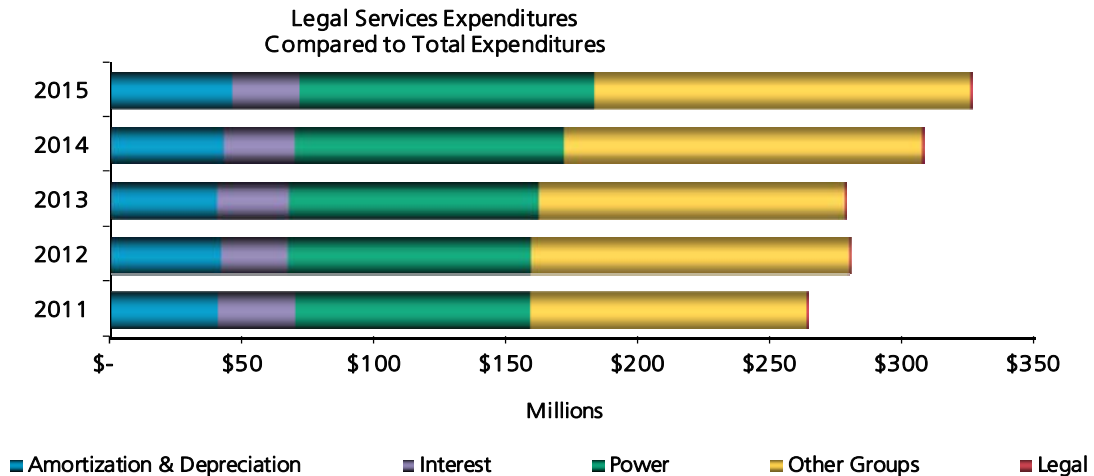
Key Result Area	Strategy	2012-2013 Goals & Accomplishments
Water Supply	Protect CAP's Colorado River entitlement	<p>Goal: Participate in and defend litigation challenging the operation of the Colorado River.</p> <p>Accomplishment: Grand Canyon Trust — Resolved favorably; ruling was in favor of defendants.</p> <hr/> <p>Goal: Identify threats for Colorado River water quality and assume funding for clean-ups.</p> <p>Accomplishment: Tronox bankruptcy/Nevada Environmental Response Trust perchlorate issues — Participated in the bankruptcy case (now essentially closed except for Anadarko fraud case) and subsequent formation and oversight of the NERT as a "stakeholder".</p>
	Obtain sufficient water supplies to meet long-term replenishment obligation and ADD Water	<p>Goal: Provide legal support for acquisition of water supplies for CAGRD.</p> <p>Accomplishment: Supported Acquisition Plan and Implementation Plan.</p> <hr/> <p>Goal: Support development and implementation of comprehensive ADD Water program.</p> <p>Accomplishment: Supported pursuit of acquisition targets and supported the SH processes.</p>
Power	Effectively manage power resources	<p>Goal: Support renewal of agreements necessary to maintain continued operation of NGS.</p> <p>Accomplishment: Participated in negotiation and subsequent adoption of 2011 Hoover bill (Items not related to NGS).</p> <hr/> <p>Goal: Support efforts to resolve NGS air quality issues.</p> <p>Accomplishment: Comments on EPA proposed BART rules.</p>

LEGAL SERVICES
 BUSINESS GOALS - 2014 AND 2015

Key Result Area	Strategy	2014-2015 Goals
Water Supply	Prepare for CAP Non-Indian Agriculture (NIA) Reallocation	Work with ADWR and stakeholders to develop an appropriate strategy for reallocation of CAP NIA Water.
	Support development of program for wheeling non-project water.	Complete and implement appropriate wheeling agreements.
Replenishment	Support the acquisition of new water supplies for CAGRD	Aggressively acquire water supplies as outlined in Plan of Operation.
		Measure/Target: Number of acre-feet acquired, with a target of 25,000 acre-feet. Develop and implement revenue generation mechanisms such as bonding, rates and fees, that are sufficient to carry out water supply acquisition plan.
Power	Maintain existing generation resources	Work to influence potential APA post-2017 Hoover reallocation process. Measure/Target: Amount of Hoover allocation retained, with a target of achieving allocation as set forth in the Hoover customer proposal (current allocation subject to adjustment for Hoover D).

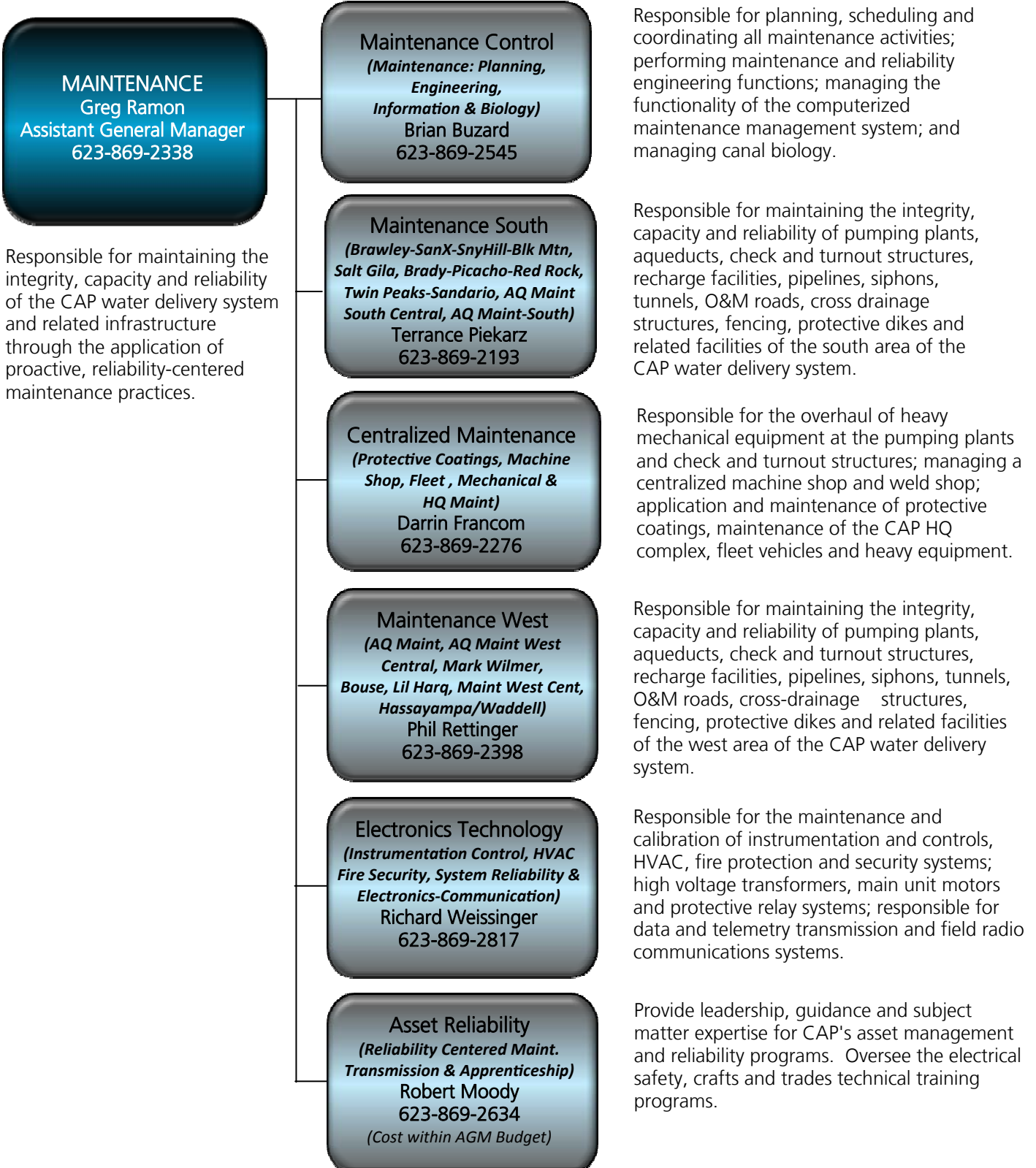
LEGAL SERVICES BUDGET SUMMARY

<i>(Dollars in Thousands)</i>	2011 Actuals	2012 Actuals	2013 Projected	2014 Budget	2015 Budget
Operating Expenses					
Salaries & wages	\$ 759.8	\$ 819.5	\$ 835.3	\$ 903.4	\$ 930.6
Outside services	314.5	125.9	135.2	255.0	240.0
Materials & supplies	3.6	0.6	5.8	7.5	7.5
Other expenses	37.5	59.1	55.2	69.0	69.0
Total Operating Expenses	\$ 1,115.4	\$ 1,005.1	\$ 1,031.5	\$ 1,234.9	\$ 1,247.1
Expenditures by Fund					
Operating Expenses					
General Fund	\$ 1,115.4	\$ 1,005.1	\$ 1,031.5	\$ 1,234.9	\$ 1,247.1
CAGR D	-	-	-	-	-
Other Funds and Accounts	-	-	-	-	-
Total Operating Expenses	\$ 1,115.4	\$ 1,005.1	\$ 1,031.5	\$ 1,234.9	\$ 1,247.1
Capital Expenditures	-	-	-	-	-
Total Expenditures	\$ 1,115.4	\$ 1,005.1	\$ 1,031.5	\$ 1,234.9	\$ 1,247.1
Staffing (FTE)	5.8	6.0	5.9	6.0	6.0



MAINTENANCE

Mission: The Maintenance Group protects and preserves the integrity and capacity of CAP's water delivery system and related infrastructure through proactive, reliability-based maintenance practices and a continuous improvement management philosophy, while valuing employee input and placing the highest priority on employee safety, health and welfare.



MAINTENANCE

ACCOMPLISHMENTS - 2012 AND 2013

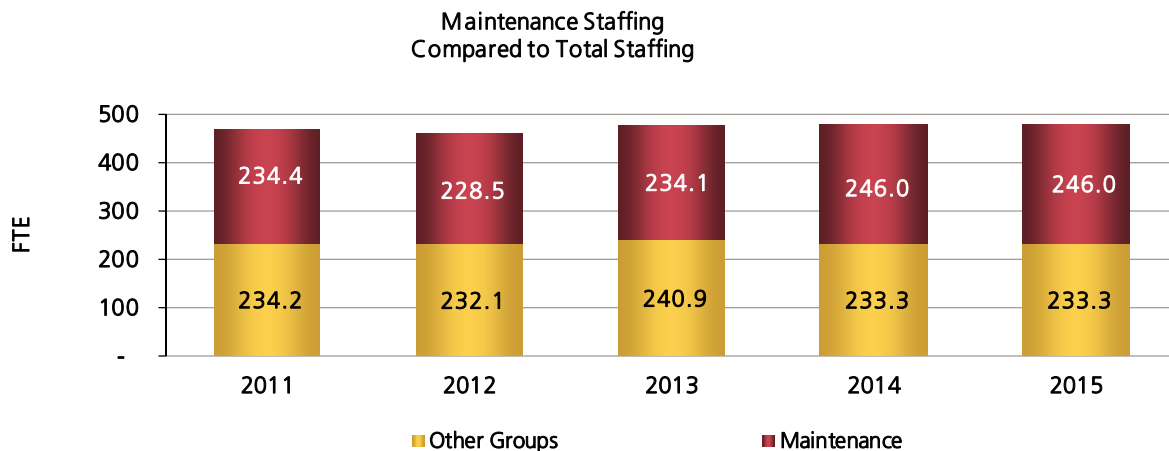
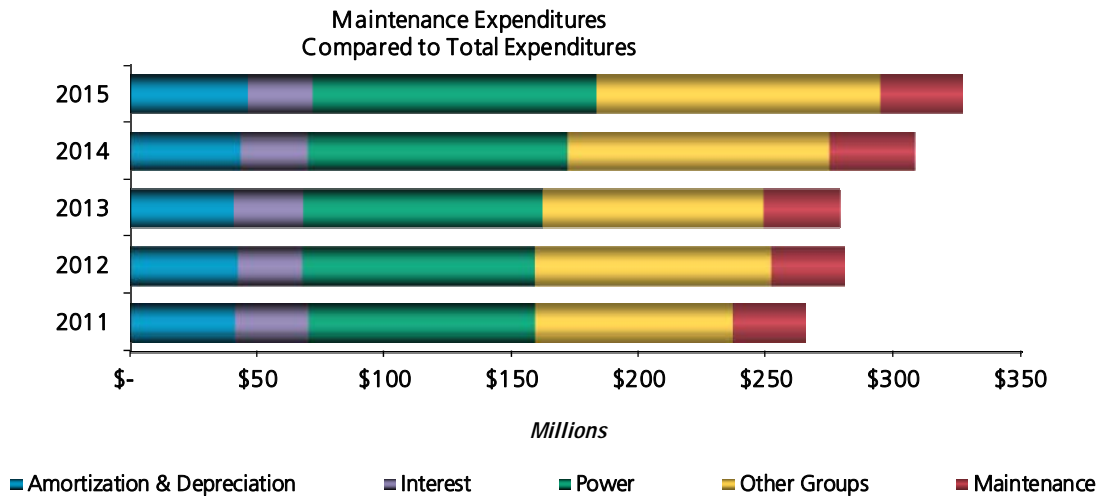
Key Result Area	Strategy	2012-2013 Goals & Accomplishments
Finance	Maintain coordinated financial strategies (e.g., budget, financial reporting, asset management)	<p>Goal: Develop an asset management cost structure to measure and control costs, including tracking costs relative to individual assets.</p> <p>Accomplishment: Developed processes internal to Maintenance to project cost to the asset level. Developed reports that track historic spending to the asset level.</p>
Water Supply	Coordinate efforts to sustain CAP's ability to deliver all available Colorado River Water	<p>Goal: Manage the canal system to minimize the impact of aquatic weeds and sediment accumulation to maintain operational capacity and reduce water quality variations.</p> <p>Accomplishment: Performed evaluation at Mark Wilmer intake regarding aquatic weed mitigation. Project slated to install trash rake to be completed in 2017. Developed internal capability to conduct bathymetric surveys to identify sediment deposition, which resulted in sediment removal at five pumping plants.</p>
	Provide reliable and cost-effective water deliveries	<p>Goal: Develop a reliability-centered maintenance program utilizing an automated data collection system.</p> <p>Accomplishment: A condition-based resource system was developed to capture real-time asset data. The system provides for analysis of asset health and early detection of degrading condition, which supports cost-effective planning and scheduling of maintenance activities.</p> <p>Goal: Expand the use of predictive maintenance technologies by utilizing condition-based monitoring instrumentation at facilities.</p> <p>Accomplishment: Predictive technologies utilized include: online vibration monitoring, transformer dissolved gas analysis, oil analysis, motor circuit analysis and partial discharge analysis.</p>
Project Reliability	Improve technology management	<p>Goal: Improve effectiveness and functionality of INFOR EAM for planning of maintenance activities.</p> <p>Accomplishment: Reviewed and updated the Load Balance report, Backlog Report and Schedule Compliance. Current on all software updates, patches and functional testing.</p>
	Effectively manage, operate and maintain CAP assets	<p>Goal: Address aging and obsolete equipment issues and develop an action plan to determine asset replacement alternatives and address potential asset failures.</p> <p>Accomplishment: Asset modification/capital replacement process is utilized by the asset management teams. This has resulted in targeted capital improvement projects to address aging and obsolete equipment.</p>
	Expand Maintenance Excellence to Enterprise Asset Management	<p>Goal: Implement life cycle asset management through reliability-centered maintenance concepts.</p> <p>Accomplishment: Optimized the Maintenance Excellence program through working sessions with work execution, planning and maintenance engineering. Performed extensive training on reliability-centered maintenance philosophy.</p>

MAINTENANCE
BUSINESS GOALS - 2014 AND 2015

Key Result Area	Strategy	2014-2015 Goals
Finance	Maintaining CAP's financial health	Responsibly manage 2014 / 2015 expense budget by ensuring actual expenses do not exceed 2% over and are not less than 5% under approved budget.
		Measure/Target: Variance between budget and actual expenses for 2014 / 2015, with a target of managing actual expenses to no more than 2% over and no less than 5% under approved budget.
	Provide reliable and cost-effective water deliveries	<p>Increase Unit Reliability, through reduced forced outages and adherence to maintenance outage schedules.</p> <p>Measure/Target: Forced outage rate with a target of less than 3% total forced unit outage.</p>
Project Reliability	Expand Maintenance Excellence to Enterprise Asset Management	Develop canal criticality model that will determine risk and drive improvement of the equipment maintenance plans for the aqueduct system.
		Measure/Target: Number of aqueduct pools that have completed procedures implemented / total number of aqueduct pools, with a target of 100% completion.
	Effectively manage, operate and maintain CAP assets	Improve the process of approving, scheduling and executing high priority work items through the work order priority system
		Measure/Target: Work order cycle time, with a target of 80% of high priority work orders completed in less than 90 days.
		Improve allocation of resources at all locations through the load balance process for all Maintenance cost centers.
		Measure/Target: Maintenance cost centers completed/total maintenance cost centers, with a target of 100% completion.
Execute five-year maintenance plans for check structures and turnout sites.	Measure/Target: Work orders complete / total scheduled work orders, with a target of 90% compliance.	
	Establish and maintain cross-functional work teams and partnerships with Finance, Engineering and Operations to improve work processes.	
Promote environmental sustainability	Improve outage planning process by applying project management principles to the development and execution of work packages and schedules.	Measure/Target: Total number of established partnerships or cross-functional teams, with a target of four established teams – Information Technology, Engineering, Finance, Operations.
		Measure / Target: Estimates/Actuals * 100, with a target of Actual +/- 20% of estimate.
	Achieve environmental excellence through membership in the Arizona State Voluntary Environmental Stewardship Program (VESP).	
Measure/Target: Qualification for VESP membership.		

MAINTENANCE BUDGET SUMMARY

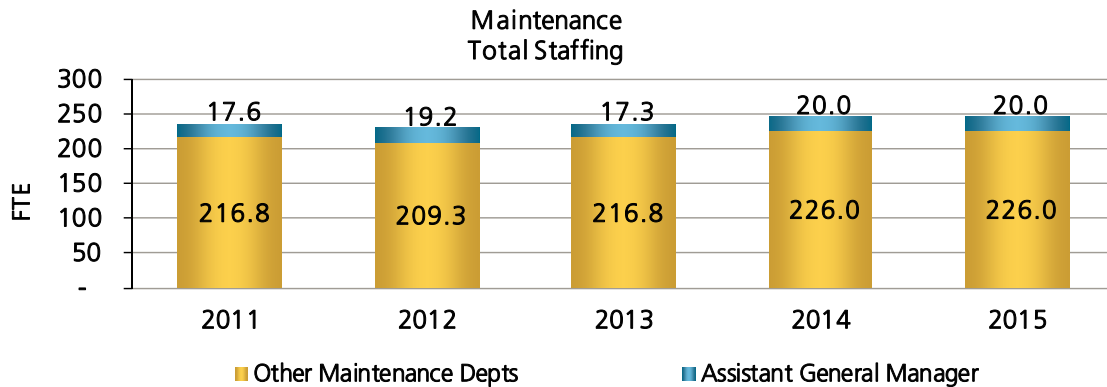
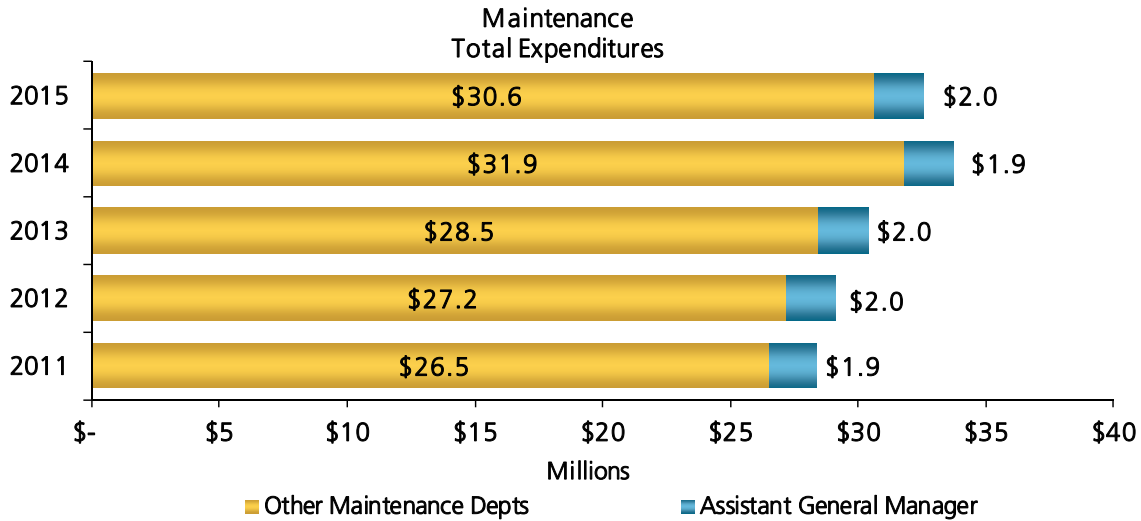
<i>(Dollars in Thousands)</i>	2011 Actuals	2012 Actuals	2013 Projected	2014 Budget	2015 Budget
Operating Expenses					
Salaries & wages	\$ 18,118.2	\$ 17,903.5	\$ 18,386.0	\$ 19,408.2	\$ 20,046.8
Outside services	\$ 1,978.2	\$ 1,713.4	\$ 1,892.5	2,105.8	2,376.0
Materials & supplies	\$ 4,853.6	\$ 5,243.5	\$ 5,003.3	4,902.3	4,929.0
Other expenses	\$ 1,363.2	\$ 1,371.1	\$ 1,914.5	1,802.0	1,660.4
Total Operating Expenses	\$ 26,313.2	\$ 26,231.5	\$ 27,196.3	\$ 28,218.3	\$ 29,012.2
Expenditures by Fund					
Operating Expenses					
General Fund	\$ 26,313.2	\$ 26,231.5	\$ 27,196.3	\$ 28,218.3	\$ 29,012.2
CAGR Account	-	-	-	-	-
Other Funds and Accounts	-	-	-	-	-
Total Operating Expenses	\$ 26,313.2	\$ 26,231.5	\$ 27,196.3	\$ 28,218.3	\$ 29,012.2
Capital Expenditures	2,059.8	2,907.2	3,248.4	5,545.2	3,587.6
Total Expenditures	\$ 28,373.0	\$ 29,138.7	\$ 30,444.7	\$ 33,763.5	\$ 32,599.8
Staffing (FTE)	234.4	228.5	234.1	246.0	246.0



MAINTENANCE
ASSISTANT GENERAL MANAGER

(Dollars in Thousands)	2011 Actuals	2012 Actuals	2013 Projected	2014 Budget	2015 Budget
Operating Expenses					
Salaries & wages	\$ 1,375.0	\$ 1,581.3	\$ 1,449.3	\$ 1,642.1	\$ 1,748.8
Outside services	107.3	-	0.1	-	-
Materials & supplies	79.8	87.5	87.4	86.0	86.0
Other expenses	240.0	209.8	371.4	129.0	137.0
Total Operating Expenses	\$ 1,802.1	\$ 1,878.6	\$ 1,908.2	\$ 1,857.1	\$ 1,971.8

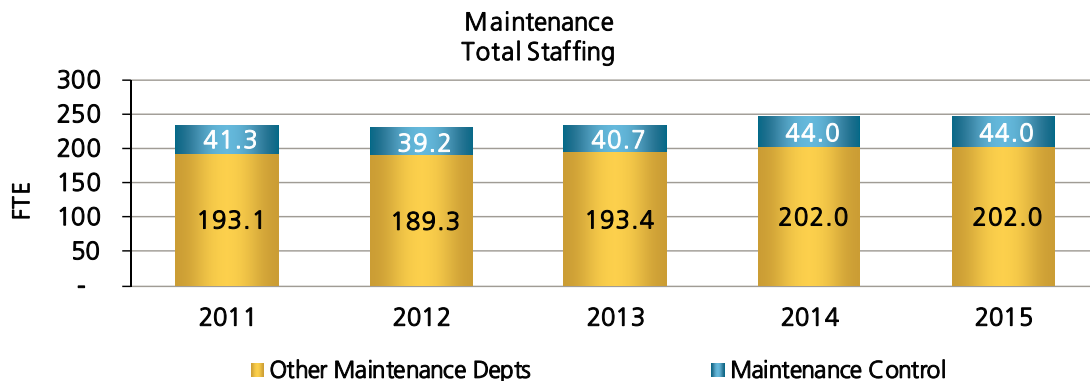
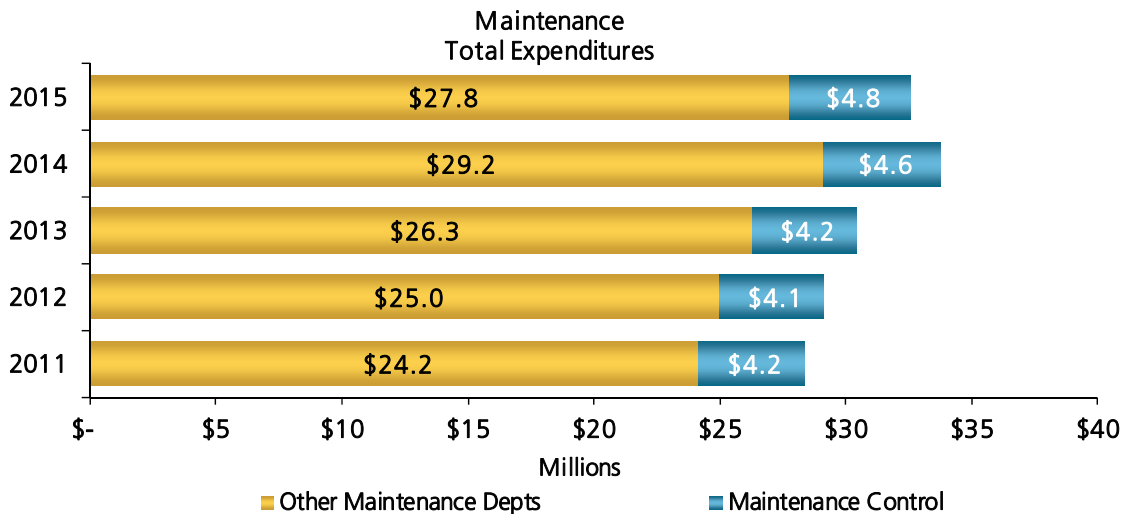
Expenditures by Fund					
Operating Expenses					
General Fund	\$ 1,802.1	\$ 1,878.6	\$ 1,908.2	\$ 1,857.1	\$ 1,971.8
CAGR Account	-	-	-	-	-
Other Funds and Accounts	-	-	-	-	-
Total Operating Expenses	\$ 1,802.1	\$ 1,878.6	\$ 1,908.2	\$ 1,857.1	\$ 1,971.8
Capital Expenditures	63.9	78.4	71.0	50.4	-
Total Expenditures	\$ 1,866.0	\$ 1,957.0	\$ 1,979.2	\$ 1,907.5	\$ 1,971.8
Staffing (FTE)	17.6	19.2	17.3	20.0	20.0



MAINTENANCE MAINTENANCE CONTROL

<i>(Dollars in Thousands)</i>	2011 Actuals	2012 Actuals	2013 Projected	2014 Budget	2015 Budget
Operating Expenses					
Salaries & wages	\$ 3,569.0	\$ 3,398.7	\$ 3,502.7	\$ 3,809.0	\$ 3,935.8
Outside services	334.0	246.0	130.5	146.4	196.4
Materials & supplies	84.3	114.6	85.4	101.5	101.5
Other expenses	161.6	193.9	302.2	270.3	265.1
Total Operating Expenses	\$ 4,148.9	\$ 3,953.2	\$ 4,020.8	\$ 4,327.2	\$ 4,498.8

Expenditures by Fund					
Operating Expenses					
General Fund	\$ 4,148.9	\$ 3,953.2	\$ 4,020.8	\$ 4,327.2	\$ 4,498.8
CAGR Account	-	-	-	-	-
Other Funds and Accounts	-	-	-	-	-
Total Operating Expenses	\$ 4,148.9	\$ 3,953.2	\$ 4,020.8	\$ 4,327.2	\$ 4,498.8
Capital Expenditures	70.3	176.8	142.4	281.5	340.8
Total Expenditures	\$ 4,219.2	\$ 4,130.0	\$ 4,163.2	\$ 4,608.7	\$ 4,839.6
Staffing (FTE)	41.3	39.2	40.7	44.0	44.0

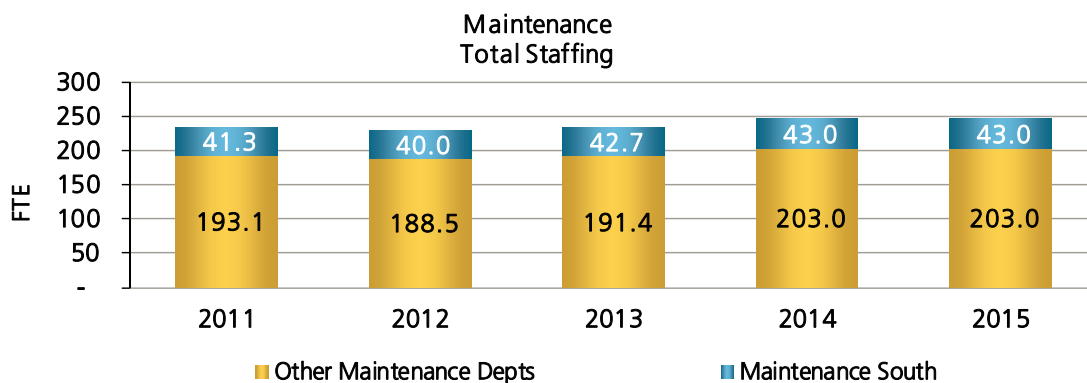
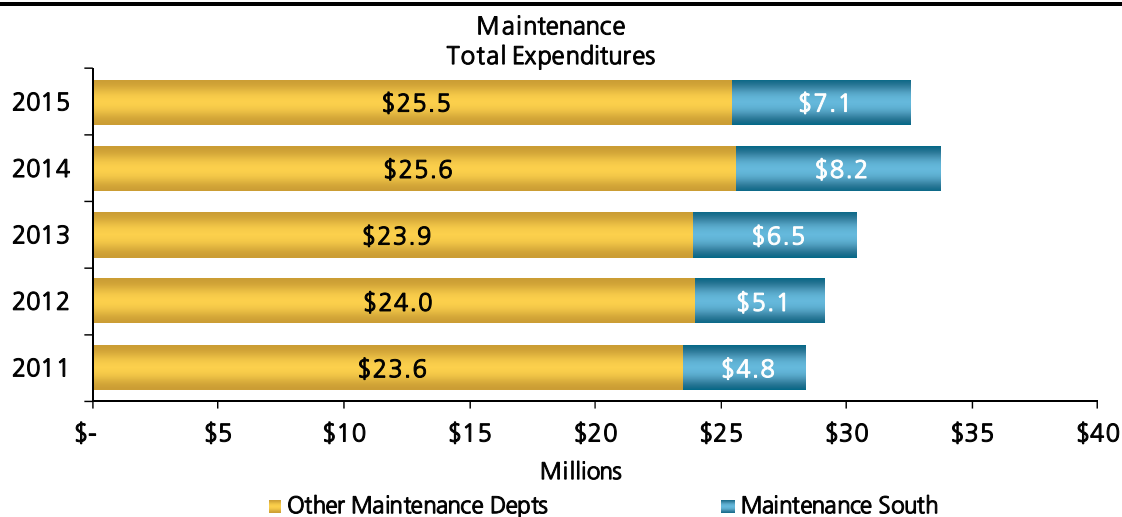


MAINTENANCE

MAINTENANCE SOUTH

<i>(Dollars in Thousands)</i>	2011 Actuals	2012 Actuals	2013 Projected	2014 Budget	2015 Budget
Operating Expenses					
Salaries & wages	\$ 3,028.2	\$ 2,988.7	\$ 3,181.8	\$ 3,221.6	\$ 3,291.2
Outside services	242.2	283.8	582.1	798.6	1,233.3
Materials & supplies	1,379.6	1,553.0	1,588.2	1,432.4	1,426.3
Other expenses	92.2	95.4	218.8	270.3	227.4
Total Operating Expenses	\$ 4,742.2	\$ 4,920.9	\$ 5,570.9	\$ 5,722.9	\$ 6,178.2

Expenditures by Fund					
Operating Expenses					
General Fund	\$ 4,742.2	\$ 4,920.9	\$ 5,570.9	\$ 5,722.9	\$ 6,178.2
CAGR Account	-	-	-	-	-
Other Funds and Accounts	-	-	-	-	-
Total Operating Expenses	\$ 4,742.2	\$ 4,920.9	\$ 5,570.9	\$ 5,722.9	\$ 6,178.2
Capital Expenditures	76.3	214.4	964.2	2,430.7	957.7
Total Expenditures	\$ 4,818.5	\$ 5,135.3	\$ 6,535.1	\$ 8,153.6	\$ 7,135.9
Staffing (FTE)	41.3	40.0	42.7	43.0	43.0

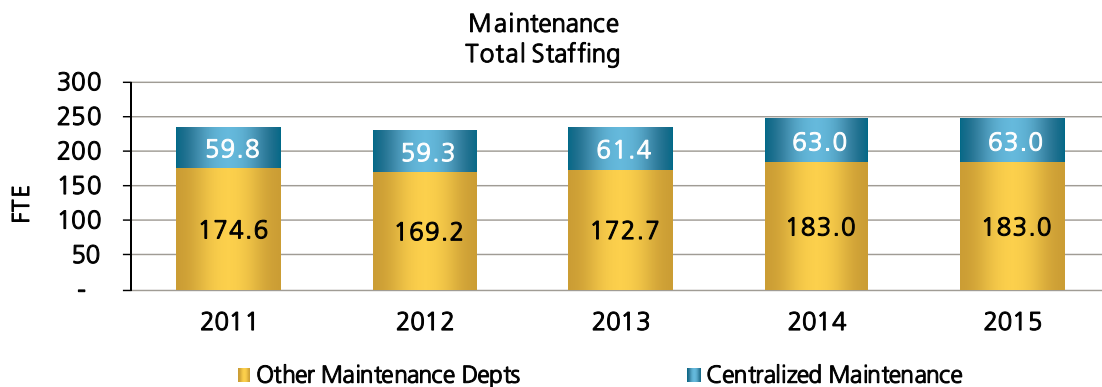
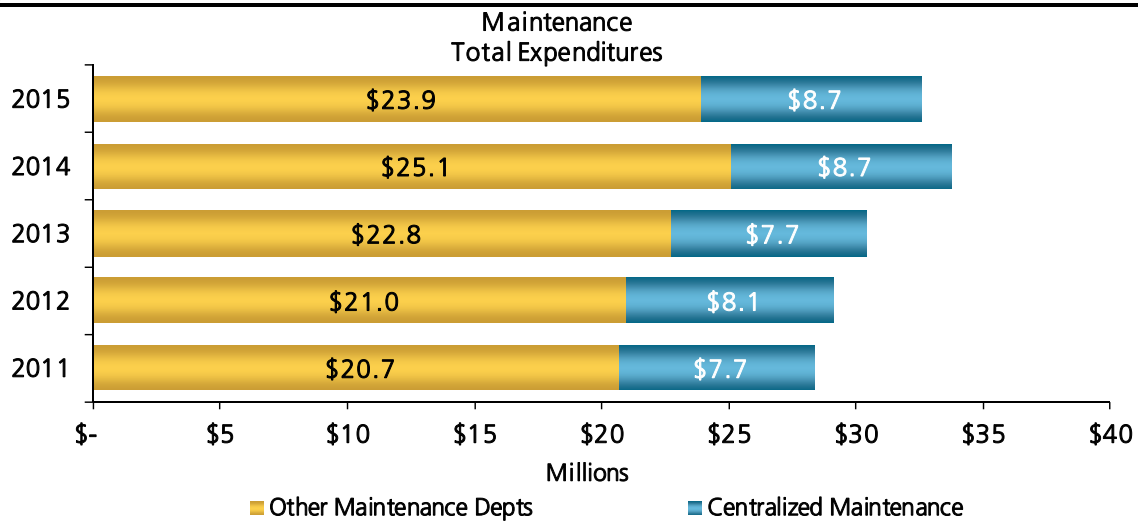


MAINTENANCE

CENTRALIZED MAINTENANCE

(Dollars in Thousands)	2011 Actuals	2012 Actuals	2013 Projected	2014 Budget	2015 Budget
Operating Expenses					
Salaries & wages	\$ 4,548.7	\$ 4,670.9	\$ 4,840.1	\$ 5,060.3	\$ 5,184.3
Outside services	348.6	615.9	337.3	295.1	279.2
Materials & supplies	1,347.6	1,507.6	1,350.2	1,337.9	1,353.5
Other expenses	531.3	491.5	506.8	547.2	544.3
Total Operating Expenses	\$ 6,776.2	\$ 7,285.9	\$ 7,034.4	\$ 7,240.5	\$ 7,361.3

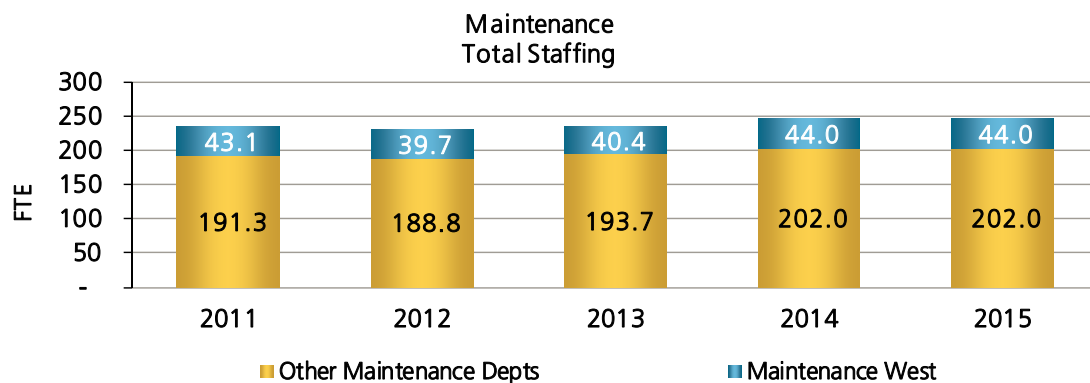
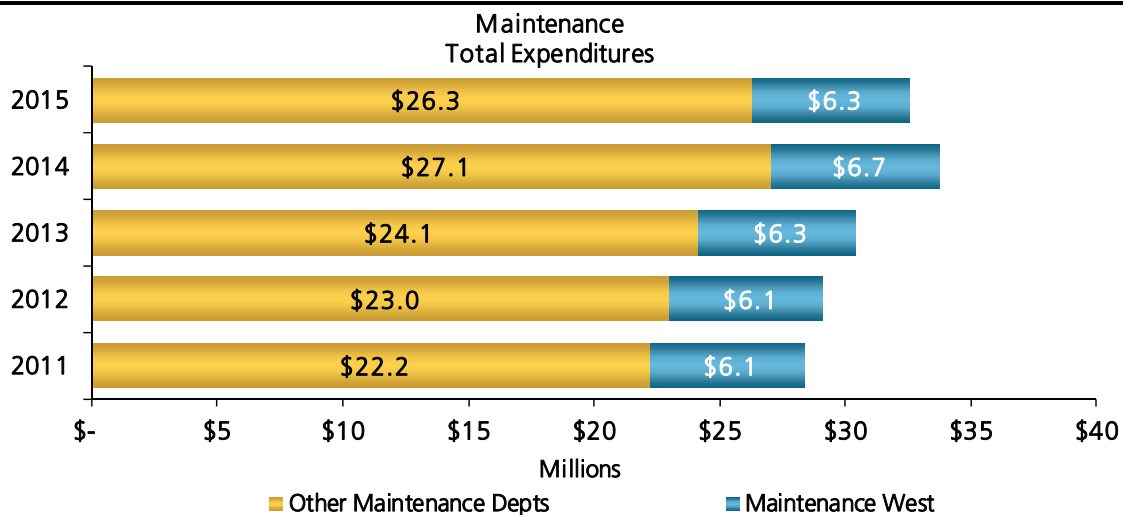
Expenditures by Fund	2011	2012	2013	2014	2015
Operating Expenses					
General Fund	6,776.2	7,285.9	7,034.4	7,240.5	7,361.3
CAGR Account	-	-	-	-	-
Other Funds and Accounts	-	-	-	-	-
Total Operating Expenses	\$ 6,776.2	\$ 7,285.9	\$ 7,034.4	\$ 7,240.5	\$ 7,361.3
Capital Expenditures	879.4	848.1	660.3	1,425.9	1,326.4
Total Expenditures	\$ 7,655.6	\$ 8,134.0	\$ 7,694.7	\$ 8,666.4	\$ 8,687.7
Staffing (FTE)	59.8	59.3	61.4	63.0	63.0



MAINTENANCE MAINTENANCE WEST

(Dollars in Thousands)	2011 Actuals	2012 Actuals	2013 Projected	2014 Budget	2015 Budget
Operating Expenses					
Salaries & wages	\$ 3,215.1	\$ 2,954.5	\$ 3,165.0	\$ 3,318.0	\$ 3,377.5
Outside services	550.5	520.4	717.2	727.8	525.5
Materials & supplies	1,578.1	1,555.5	1,475.1	1,503.6	1,547.7
Other expenses	122.4	144.4	244.8	309.0	213.6
Total Operating Expenses	\$ 5,466.1	\$ 5,174.8	\$ 5,602.1	\$ 5,858.4	\$ 5,664.3

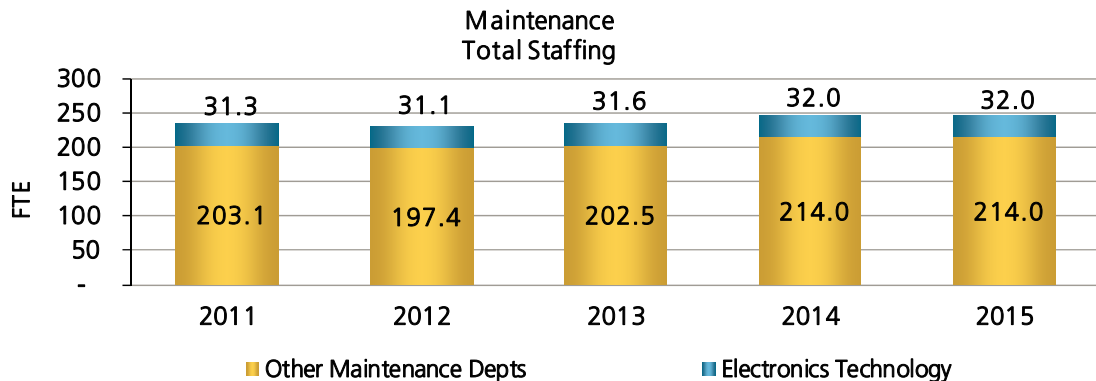
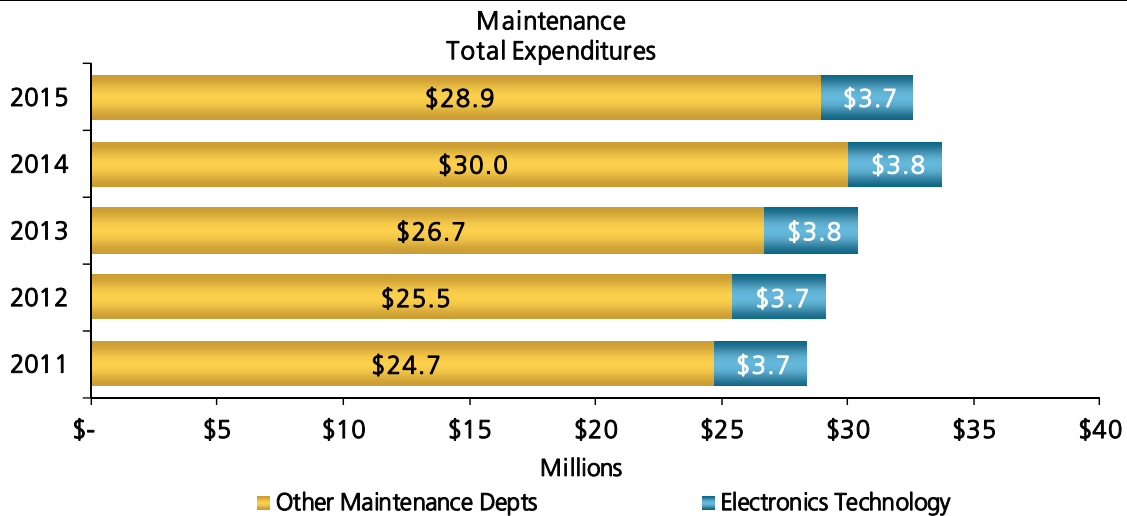
Expenditures by Fund					
Operating Expenses					
General Fund	\$ 5,466.1	\$ 5,174.8	\$ 5,602.1	\$ 5,858.4	\$ 5,664.3
CAGR Account	-	-	-	-	-
Other Funds and Accounts	-	-	-	-	-
Total Operating Expenses	\$ 5,466.1	\$ 5,174.8	\$ 5,602.1	\$ 5,858.4	\$ 5,664.3
Capital Expenditures	673.8	921.9	701.5	810.6	644.8
Total Expenditures	\$ 6,139.9	\$ 6,096.7	\$ 6,303.6	\$ 6,669.0	\$ 6,309.1
Staffing (FTE)	43.1	39.7	40.4	44.0	44.0



MAINTENANCE ELECTRONICS TECHNOLOGY

(Dollars in Thousands)	2011 Actuals	2012 Actuals	2013 Projected	2014 Budget	2015 Budget
Operating Expenses					
Salaries & wages	\$ 2,382.2	\$ 2,309.4	\$ 2,247.1	\$ 2,357.2	\$ 2,509.2
Outside services	395.6	47.3	125.3	137.9	141.6
Materials & supplies	384.2	425.3	417.0	440.9	414.0
Other expenses	215.7	236.1	270.5	276.2	273.0
Total Operating Expenses	\$ 3,377.7	\$ 3,018.1	\$ 3,059.9	\$ 3,212.2	\$ 3,337.8

Expenditures by Fund					
Operating Expenses					
General Fund	\$ 3,377.7	\$ 3,018.1	\$ 3,059.9	\$ 3,212.2	\$ 3,337.8
CAGR Account	-	-	-	-	-
Other Funds and Accounts	-	-	-	-	-
Total Operating Expenses	\$ 3,377.7	\$ 3,018.1	\$ 3,059.9	\$ 3,212.2	\$ 3,337.8
Capital Expenditures	296.1	667.6	709.0	546.1	317.9
Total Expenditures	\$ 3,673.8	\$ 3,685.7	\$ 3,768.9	\$ 3,758.3	\$ 3,655.7
Staffing (FTE)	31.3	31.1	31.6	32.0	32.0



OPERATIONS, PLANNING & ENGINEERING

Mission: The Operations, Planning and Engineering (OPE) Group manages water deliveries, designs and oversees infrastructure improvements and new construction, develops and operates underground storage facilities and maintains environmental compliance. Additionally, OPE manages CAP power resources, develops policies and conducts strategic and long-term planning. In addition, OPE manages the Central Arizona Groundwater Replenishment District (CAGR).

OPERATIONS, PLANNING & ENGINEERING
Thomas McCann
 Assistant General Manager
 623-869-2343

Responsible for operational control of the water supply facilities, deliveries to customers, accounting for water diversion and deliveries, engineering support for system maintenance and betterment of CAP facilities, management of CAP lands, the functions of the CAGR, long-term water and power resource planning, and statewide water policy issues, including the Colorado River basin.

CAGR
(CAGR & Water Supply Program)
Dennis Rule
 623-869-2667

Responsible for insuring that all CAGR groundwater replenishment obligations are met. Develop CAGR Plan of Operation, administer CAGR function, acquire water supplies needed to meet CAGR obligations.

Water Operations
(Water Control & Water Systems)
Brian Henning
 623-869-2567

Responsible for the safe and efficient delivery of CAP water, including the operation of the canal, pumping plants, check gates, turnouts, underground storage sites and Lake Pleasant. Provides front-line water customer service, water accounting and forecasting. Performs hydraulic and hydrologic engineering.

Engineering Services
(Lands, Project Mgmt, Eng Resources, Drwg Services, Pumping Plant As-builts, & Inspect Surveys)
Randy Randolph
 623-869-2260

Provides administration and stewardship of CAP land and technical records, provides technical engineering expertise and project management. Additional resources include inspection services, construction contract administration, materials testing, land surveying, and CAD/D and GIS capabilities.

Resource Planning & Analysis
Ken Seasholes
 623-869-2476

Responsible for long-range water resource planning and policy analysis within the CAP service area, including planning support for the CAGR, and initiatives of the Board and the SMT.

Colorado River Programs
Chuck Cullom
 623-869-2665
(Cost within AGM Budget)

Provides development and implementation of strategic planning efforts and projects that will protect CAP's interests in the Colorado River. Primary focuses are in the areas of climate change, sustainability, Colorado River management, MSCP implementation, binational cooperative efforts and desalination opportunities.

Power Programs
Ron Lunt
 623-869-2362
(Cost within AGM Budget)

Manages the power functions for the CAP including CAWCD's rights to Navajo project generation and transmission and emissions allowances and the CAP transmission system, CAWCD's contracts for Hoover power and various Federal transmission, power marketing contracts.

OPERATIONS, PLANNING & ENGINEERING
 ACCOMPLISHMENTS - 2012 AND 2013

Key Result Area	Strategy	2012-2013 Goals & Accomplishments
Project Reliability	Expand Maintenance Excellence to Enterprise Asset Management	<p>Goal: Expand predictive maintenance in order to determine when equipment is in decline by increasing condition-based monitoring instrumentation at CAP facilities. Develop methods for tracking, sharing and evaluating resulting information.</p> <p>Accomplishment: Completed installation of a fiber optic monitoring system at the Centennial Wash Siphon, a condition-based monitoring system (vibration, conductor insulation, power and efficiency measurements) at the Hassayampa Pumping Plant and transformer gas monitors.</p>
		<p>Goal: Address aging and obsolete CAP equipment issues and develop an action plan to determine asset replacement alternatives and address potential asset failures, enabling cost-effective equipment replacement and repair.</p> <p>Accomplishment: Under the auspices of the PSC, Engineering manages CAP's capital improvement program, which has implemented a number of projects to repair or replace aging and obsolete equipment (e.g., UPS upgrades, chiller replacement, flow meter replacement, human-machine interface conversions, motor exciters and others).</p>
Water Supply	Coordinate efforts to sustain CAP's ability to deliver all available Colorado River water.	<p>Goal: Evaluate options to manage the Mark Wilmer/Bill Williams River interface, silt removal within the canal and pumping plant forebays, algae removal, etc. to maintain operational capacity and reduce water quality problems.</p> <p>Accomplishment: A trash rake system has been approved for Mark Wilmer Pumping Plant.</p>
		<p>Goal: Identify water supplies to be acquired and begin making acquisitions. Enhance cross-departmental involvement in water supply acquisition activities.</p> <p>Accomplishment: The CAGR D Water Acquisition Study was completed in March 2012, and a water supply acquisition business plan was presented to the CAP Board in June 2012. A new internal group was created and staffed to focus exclusively on water supply acquisition, assisted by a cross-departmental Water Supply Acquisition Advisory Team as well as outside consultants.</p> <p>Goal: Acquire water supplies as outlined in Plan of Operation.</p> <p>Accomplishment: The CAGR D water supply group has completed purchases of long-term storage credits and effluent and is in active negotiation to acquire supplies from other sources identified in the Plan of Operation. CAGR D also entered into a fallowing agreement with Yuma Mesa Irrigation and Drainage District.</p>

OPERATIONS, PLANNING & ENGINEERING
 ACCOMPLISHMENTS - 2012 AND 2013

Key Result Area	Strategy	2012-2013 Goals & Accomplishments
Water Supply	Manage Colorado River to optimize CAP water availability, augment supplies and manage risk	<p>Goal: Actively participate in decision making regarding binational programs. Maintain cooperative relationships with Mexico regarding Colorado River supplies and water quality issues.</p> <p>Accomplishment: CAP was instrumental in the successful conclusion of Minute 319 between the United States and Mexico. CAP continues to participate in Minute 319 implementation work groups to promote cooperation on Colorado River issues.</p> <hr/> <p>Goal: Support new and updated augmentation studies and pilot programs.</p> <p>Accomplishment: CAP actively participated in and guided the Colorado River Basin Study, which was published in late 2012. CAP continues to support ongoing efforts to implement measures such as augmentation to address future imbalances between supply and demand.</p>
Power	Optimize use of CAP assets to meet customer needs, generate opportunities to enhance revenues and effectively manage costs	<p>Goal: Develop and implement post-2011 strategies for use of power generation and transmission assets.</p> <p>Accomplishment: Water Operations and Power jointly develop an annual water schedule (by hour and month for the entire year) whereby pumping at Mark Wilmer Pumping Plant is scheduled for off-peak periods as much as possible to maximize the electricity available for Western sales during higher energy pricing periods. During the year, Water Operations re-evaluates water delivery requirements in an attempt to maximize the on-peak electricity available quarterly for sale by Western to maximize surplus power revenues.</p> <hr/> <p>Goal: Migrate to post-2011 power regime. Modify procedures as necessary to shape the use of NGS energy reserved for project pumping and displace the point of delivery to reduce CAP energy costs.</p> <p>Accomplishment: Migration was complete as of October 1, 2011, when new agreements with Western, BOR, SRP, AEPCO and others took effect. Water Control and Power coordinate daily to evaluate opportunities for shaping or displacement should market conditions allow.</p>

OPERATIONS PLANNING & ENGINEERING
 BUSINESS GOALS - 2014 AND 2015

Key Result Area	Strategy	2014-2015 Goals
Water Supply	Manage annual performance of replenishment activities	Meet annual replenishment obligations. Measure/Target: Acre-feet of water acquired for replenishment reserve and acre-feet of water replenished to meet annual obligations. With a target of ADWR approval of 2013 and 2014 Replenishment District annual reports.
	Manage acquisition of water supplies	Acquire sufficient water supplies to meet current obligations. Measure/Target: Acre-feet of water supply acquired to meet annual obligations. With a target of acquiring up to 35,000 acre-feet of water supplies by the end of 2015.
	Improve the current CAGR model	Develop a new CAGR Plan of Operation. Measure/Target: New plan developed in coordination with Board members and stakeholders. With a target of completing stakeholder process and submittal of 2016-2025 CAGR Plan of Operation no later than January 1, 2015.
		Actively participate in decision-making regarding binational programs with Mexico and the implementation of Minute 319 regarding Colorado River water supplies and water quality. Measure/Target: Provide \$833,333.33 per year in 2014 and 2015 to fund pilot program water conservation programs in Mexico, resulting in the creation of ICMA to ICS available to CAP in 2017. With a target of 100%.
	Manage the Colorado River to optimize CAP water availability, augment supplies and manage risk	Support studies and pilot programs to advance the long-term operation of the YDP or other suitable alternative. Measure/Target: Complete strategic plan, suitable for Board action to conserve 100,000 acre-feet/yr of Colorado River water. The plan will address infrastructure, environmental values, permitting and costs/financing. With a target of 100%.
		Support new and updated augmentation studies and pilot programs (e.g. Basin States Augmentation Program, ocean desalination, weather modification, watershed management, brackish desalination and phreatophyte removal). Measure/Target: Provide \$15,000 per year in 2014 and 2015 to conduct snowpack augmentation in Colorado, Wyoming and Utah. With a target of 90 to 110%.

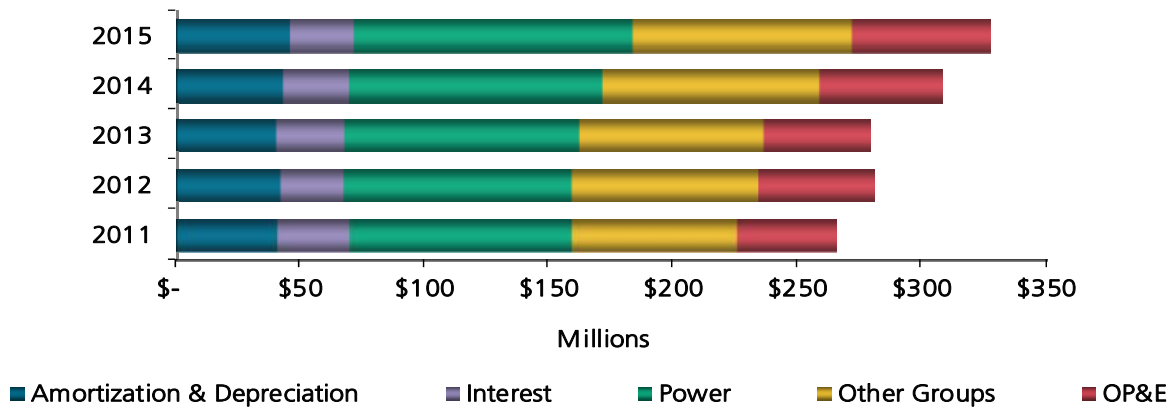
OPERATIONS PLANNING & ENGINEERING
 BUSINESS GOALS - 2014 AND 2015

Key Result Area	Strategy	2014-2015 Goals
Project Reliability	Run a reliability-centered maintenance program	Complete installation of a fiber-optic acoustic monitoring system at Jackrabbit and Hassayampa siphons.
		Measure/Target: Manage project in accordance with PSC commitments.
		Manage capital improvement projects such as: Condition-based monitoring and transformer gas monitoring to allow assets to be maintained in an efficient, cost-effective manner.
		Measure/Target: Projects are managed based upon PSC commitments.
	Ensure integrity of the canal system through analysis and mitigation of subsidence and surface drainage issues.	
Measure/Target: To complete analysis in the areas of hydrology studies, risk assessment, development of repair techniques, maintenance techniques and mitigation efforts.		
Provide reliable and cost-effective water deliveries	Manage CAP's Capital Improvement program and Asset Modification Process.	
	Measure/Target: Compliance with project schedules and budgets. With a target of completing flow meter replacement, fiber-optic cable replacement, siphon repairs, discharge valve replacement, embankment upgrades, maintenance asset modification designs and others.	

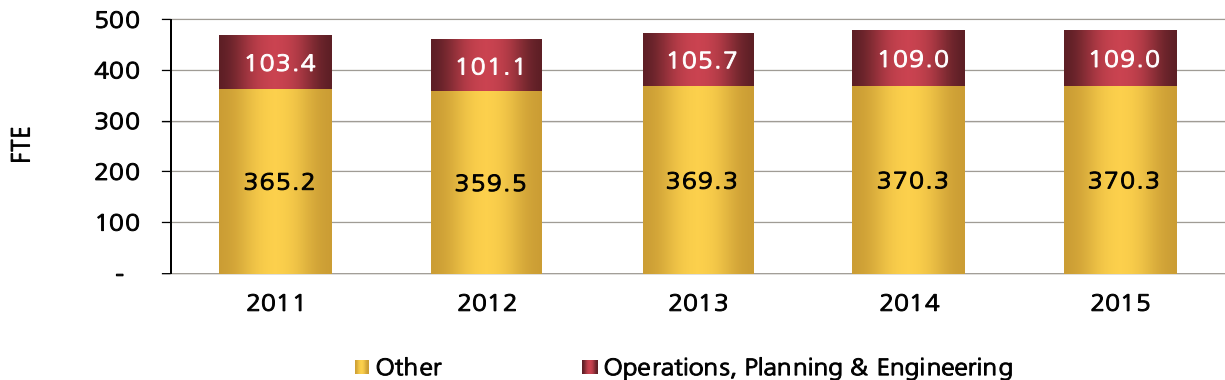
OPERATIONS, PLANNING & ENGINEERING BUDGET SUMMARY

(Dollars in Thousands)	2011 Actuals	2012 Actuals	2013 Projected	2014 Budget	2015 Budget
Operating Expenses					
Salaries & wages	\$ 6,637.7	\$ 6,534.8	\$ 7,352.9	\$ 8,172.8	\$ 7,942.6
Outside services	\$ 2,773.2	\$ 4,032.1	\$ 6,151.3	\$ 4,267.6	\$ 3,358.9
Materials & supplies	\$ 147.4	\$ 163.7	\$ 179.3	\$ 154.1	\$ 164.0
Water for recharge	3,433.0	4,536.3	4,846.0	6,438.8	6,347.4
Other expenses	1,137.0	2,030.3	2,363.7	2,471.4	3,324.0
Total Operating Expenses	\$ 14,128.3	\$ 17,297.2	\$ 20,893.2	\$ 21,504.7	\$ 21,136.9
Expenditures by Fund					
Operating Expenses					
General Fund	\$ 9,850.7	\$ 12,036.0	\$ 14,677.1	\$ 13,104.3	\$ 12,907.0
CAGRD Account	4,277.6	5,261.2	6,216.1	8,400.4	8,229.9
Other Funds and Accounts	-	-	-	-	-
Total Operating Expenses	\$ 14,128.3	\$ 17,297.2	\$ 20,893.2	\$ 21,504.7	\$ 21,136.9
Capital Expenditures	25,603.1	29,211.6	22,440.1	27,972.0	34,634.9
Total Expenditures	\$ 39,731.4	\$ 46,508.8	\$ 43,333.3	\$ 49,476.7	\$ 55,771.8
Staffing (FTE)	103.4	101.1	105.7	109.0	109.0

Operations, Planning & Engineering Expenditures
Compared to Total Expenditures



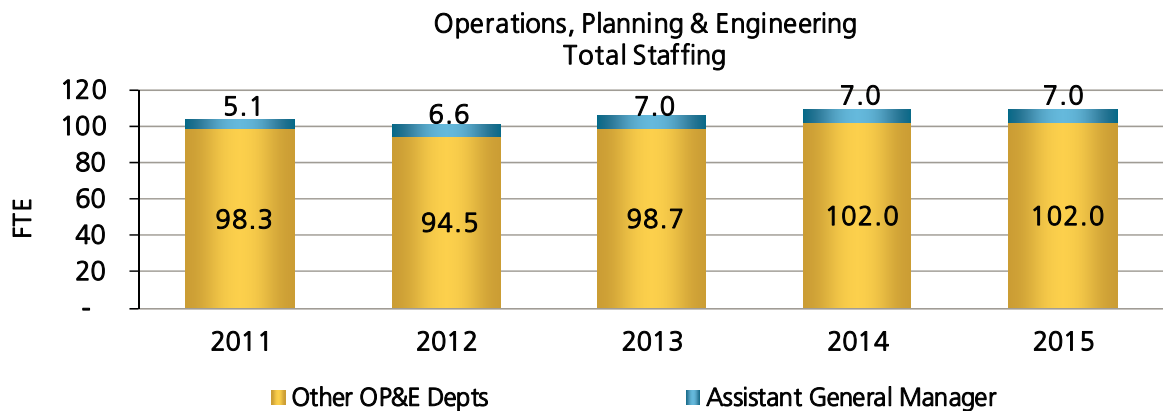
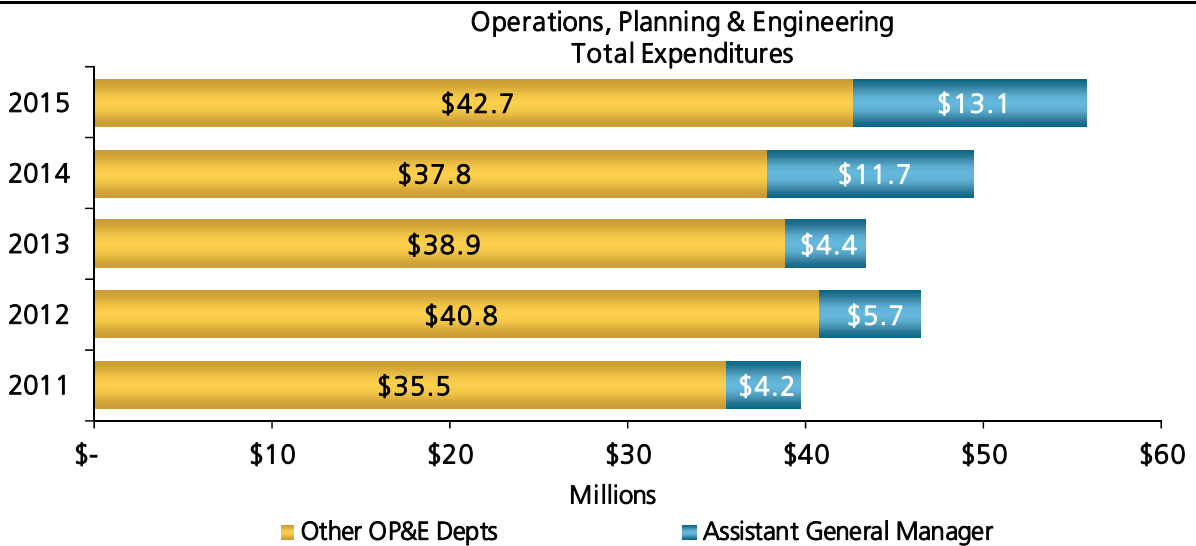
Operations, Planning & Engineering Staffing
Compared to Total Staffing



OPERATIONS, PLANNING & ENGINEERING ASSISTANT GENERAL MANAGER

(Dollars in Thousands)	2011 Actuals	2012 Actuals	2013 Projected	2014 Budget	2015 Budget
Operating Expenses					
Salaries & wages	\$ 566.5	\$ 653.4	\$ 728.6	\$ 755.9	\$ 778.6
Outside services	1,088.6	1,549.0	1,688.5	1,683.0	1,721.0
Materials & supplies	2.1	1.9	1.7	2.0	2.0
Water for recharge	-	-	-	-	-
Other expenses	522.7	1,482.4	1,573.5	1,885.6	2,726.0
Total Operating Expenses	\$ 2,179.9	\$ 3,686.7	\$ 3,992.3	\$ 4,326.5	\$ 5,227.6

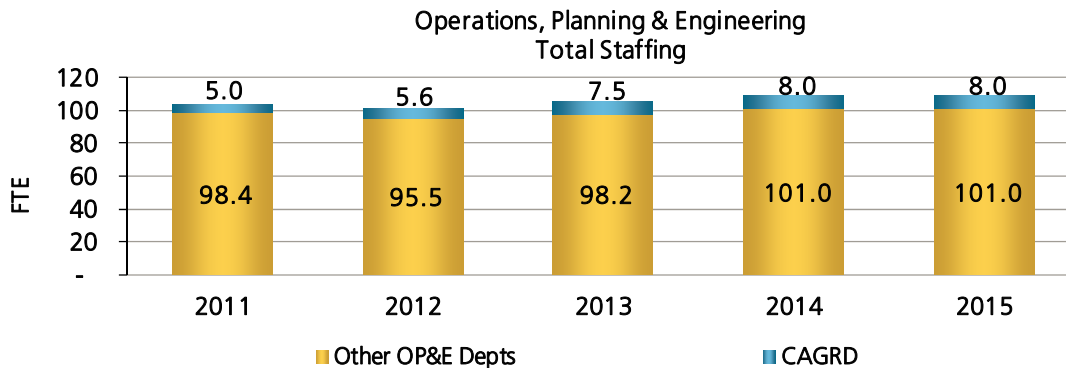
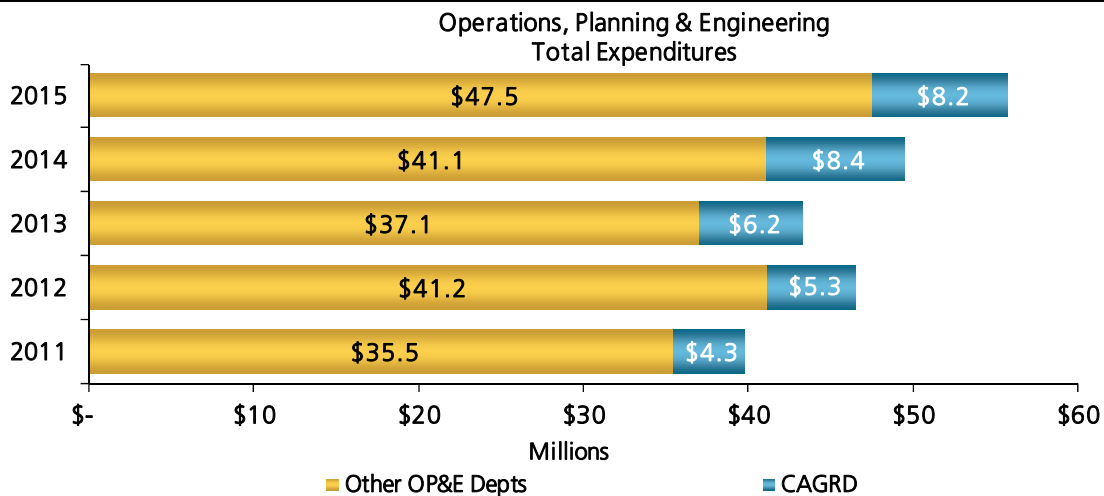
Expenditures by Fund	2011	2012	2013	2014	2015
Operating Expenses					
General Fund	\$ 2,179.9	\$ 3,686.7	\$ 3,992.3	\$ 4,326.5	\$ 5,227.6
CAGR Account	-	-	-	-	-
Other Funds and Accounts	-	-	-	-	-
Total Operating Expenses	\$ 2,179.9	\$ 3,686.7	\$ 3,992.3	\$ 4,326.5	\$ 5,227.6
Capital Expenditures	2,014.5	2,005.9	454.1	7,327.9	7,868.9
Total Expenditures	\$ 4,194.4	\$ 5,692.6	\$ 4,446.4	\$ 11,654.4	\$ 13,096.5
Staffing (FTE)	5.1	6.6	7.0	7.0	7.0



OPERATIONS, PLANNING & ENGINEERING
 PLANNING & REPLENISHMENT - CAGR

(Dollars in Thousands)	2011 Actuals	2012 Actuals	2013 Projected	2014 Budget	2015 Budget
Operating Expenses					
Salaries & wages	\$ 356.7	\$ 375.7	\$ 1,294.9	\$ 1,856.7	\$ 1,773.3
Outside services	482.6	367.0	89.6	75.0	79.8
Materials & supplies	-	-	-	1.0	1.0
Water for recharge	3,433.0	4,536.3	4,846.0	6,438.8	6,347.4
Other expenses	4.0	1.7	12.7	28.9	28.4
Total Operating Expenses	\$ 4,276.3	\$ 5,280.7	\$ 6,243.2	\$ 8,400.4	\$ 8,229.9

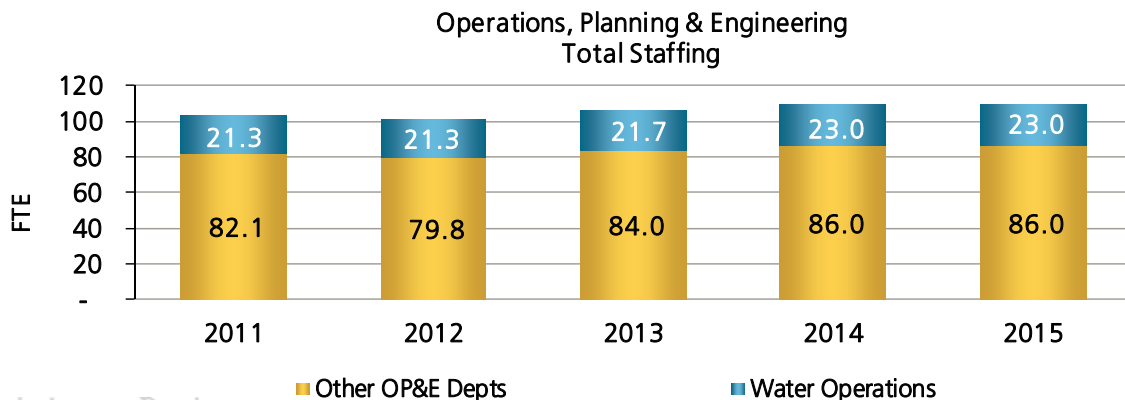
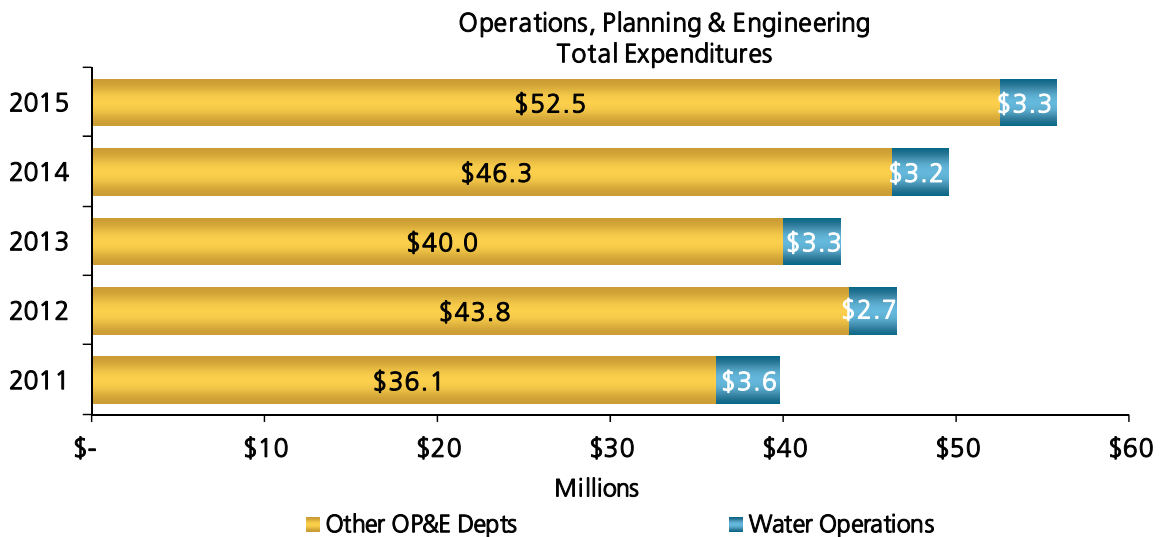
Expenditures by Fund					
Operating Expenses					
General Fund	\$ 55.8	\$ 45.4	\$ 27.1	\$ -	\$ -
CAGR Account	4,220.5	5,235.3	6,216.1	8,400.4	8,229.9
Other Funds and Accounts	-	-	-	-	-
Total Operating Expenses	\$ 4,276.3	\$ 5,280.7	\$ 6,243.2	\$ 8,400.4	\$ 8,229.9
Capital Expenditures	(6.4)	-	-	-	-
Total Expenditures	\$ 4,269.9	\$ 5,280.7	\$ 6,243.2	\$ 8,400.4	\$ 8,229.9
Staffing (FTE)	5.0	5.6	7.5	8.0	8.0



OPERATIONS, PLANNING & ENGINEERING
WATER OPERATIONS

(Dollars in Thousands)	2011 Actuals	2012 Actuals	2013 Projected	2014 Budget	2015 Budget
Operating Expenses					
Salaries & wages	\$ 1,857.0	\$ 1,857.6	\$ 1,986.5	\$ 2,187.5	\$ 2,256.1
Outside services	259.7	207.6	683.6	659.6	655.1
Materials & supplies	16.3	19.5	31.2	18.6	17.9
Other expenses	447.0	434.7	627.9	347.0	352.2
Total Operating Expenses	\$ 2,580.0	\$ 2,519.4	\$ 3,329.2	\$ 3,212.7	\$ 3,281.3

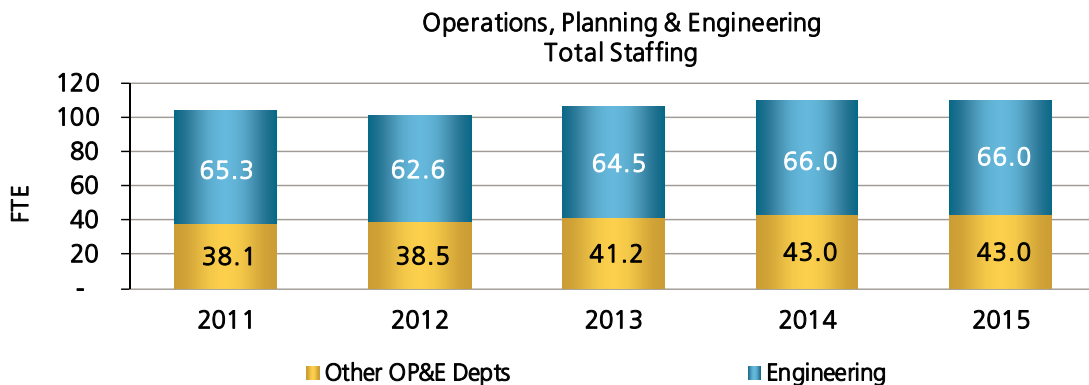
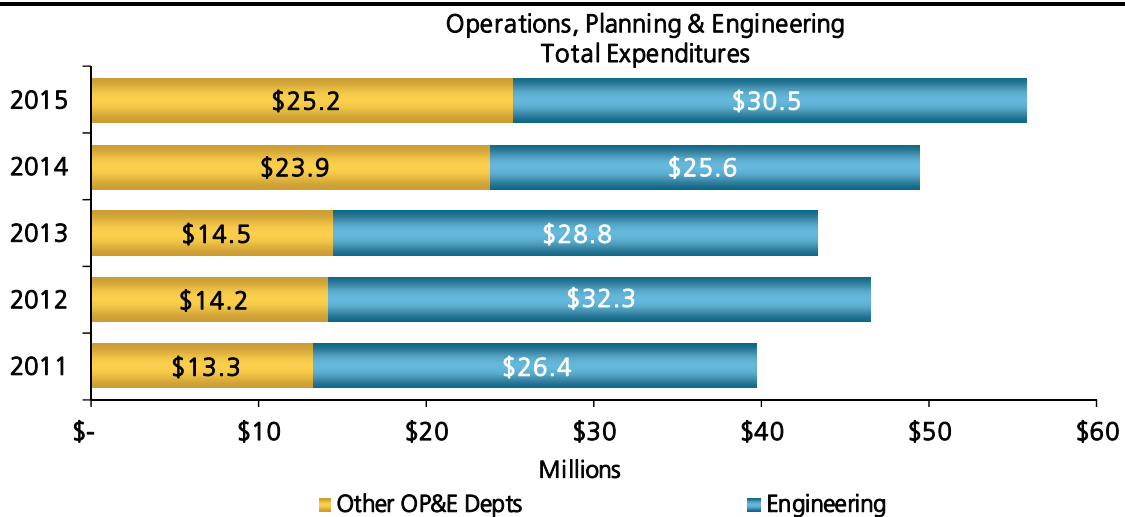
Expenditures by Fund	2011 Actuals	2012 Actuals	2013 Projected	2014 Budget	2015 Budget
Operating Expenses					
General Fund	\$ 2,580.0	\$ 2,519.4	\$ 3,329.2	\$ 3,212.7	\$ 3,281.3
CAGR Account	-	-	-	-	-
Other Funds and Accounts	-	-	-	-	-
Total Operating Expenses	\$ 2,580.0	\$ 2,519.4	\$ 3,329.2	\$ 3,212.7	\$ 3,281.3
Capital Expenditures	1,037.0	230.3	-	-	-
Total Expenditures	\$ 3,617.0	\$ 2,749.7	\$ 3,329.2	\$ 3,212.7	\$ 3,281.3
Staffing (FTE)	21.3	21.3	21.7	23.0	23.0



OPERATIONS, PLANNING & ENGINEERING
ENGINEERING SERVICES

(Dollars in Thousands)	2011 Actuals	2012 Actuals	2013 Projected	2014 Budget	2015 Budget
Operating Expenses					
Salaries & wages	\$ 3,258.1	\$ 3,172.6	\$ 2,940.3	\$ 2,953.1	\$ 2,702.4
Outside services	431.6	1,908.5	3,613.6	1,663.9	716.9
Materials & supplies	126.4	136.4	142.9	130.0	140.6
Other expenses	99.1	104.5	140.8	192.4	199.9
Total Operating Expenses	\$ 3,915.2	\$ 5,322.0	\$ 6,837.6	\$ 4,939.4	\$ 3,759.8

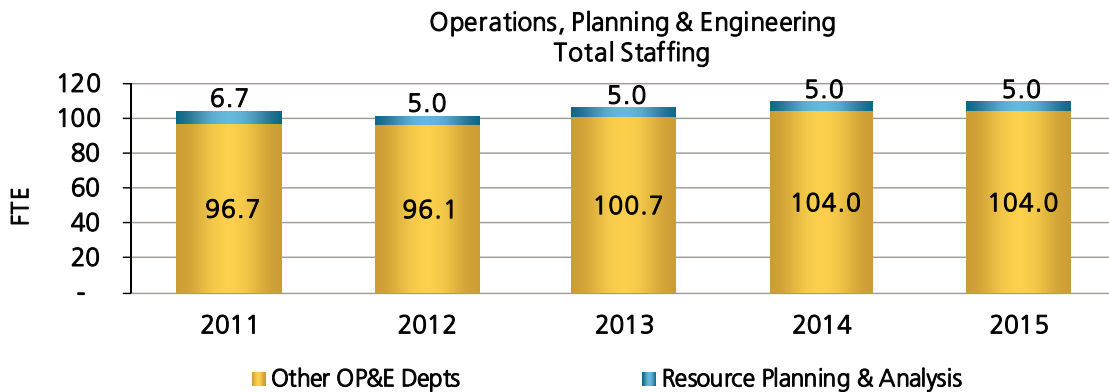
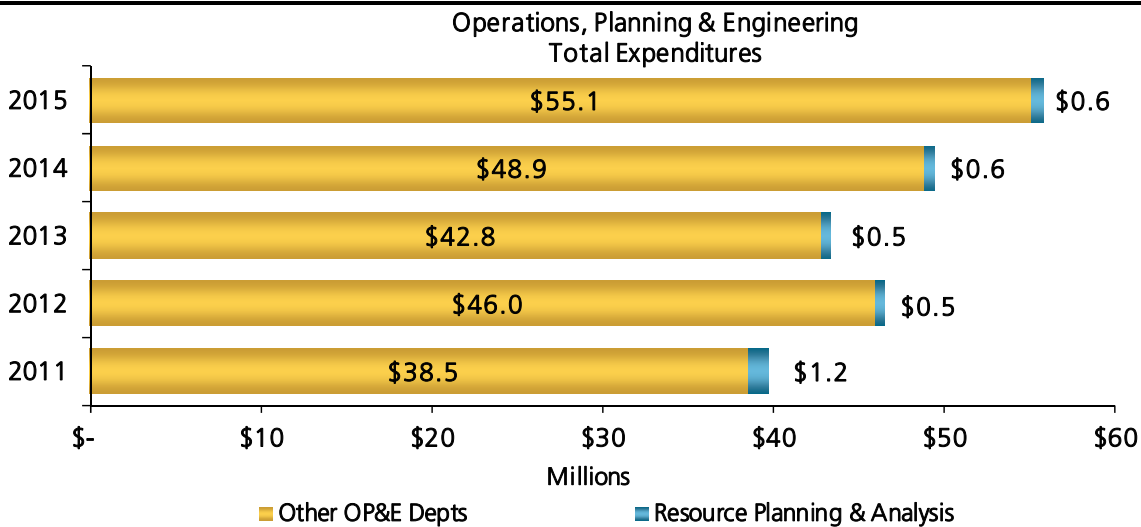
Expenditures by Fund					
Operating Expenses					
General Fund	\$ 3,915.2	\$ 5,322.0	\$ 6,837.6	\$ 4,939.4	\$ 3,759.8
CAGR Account	-	-	-	-	-
Other Funds and Accounts	-	-	-	-	-
Total Operating Expenses	\$ 3,915.2	\$ 5,322.0	\$ 6,837.6	\$ 4,939.4	\$ 3,759.8
Capital Expenditures	22,503.9	26,975.4	21,986.0	20,644.1	26,766.0
Total Expenditures	\$ 26,419.1	\$ 32,297.4	\$ 28,823.6	\$ 25,583.5	\$ 30,525.8
Staffing (FTE)	65.3	62.6	64.5	66.0	66.0



OPERATIONS, PLANNING & ENGINEERING
 RESOURCE PLANNING & ANALYSIS

(Dollars in Thousands)	2011 Actuals	2012 Actuals	2013 Projected	2014 Budget	2015 Budget
Operating Expenses					
Salaries & wages	\$ 599.4	\$ 475.5	\$ 402.6	\$ 419.6	\$ 432.2
Outside services	510.7	-	76.0	186.1	186.1
Materials & supplies	2.6	5.9	3.5	2.5	2.5
Other expenses	64.2	7.0	8.8	17.5	17.5
Total Operating Expenses	\$ 1,176.9	\$ 488.4	\$ 490.9	\$ 625.7	\$ 638.3

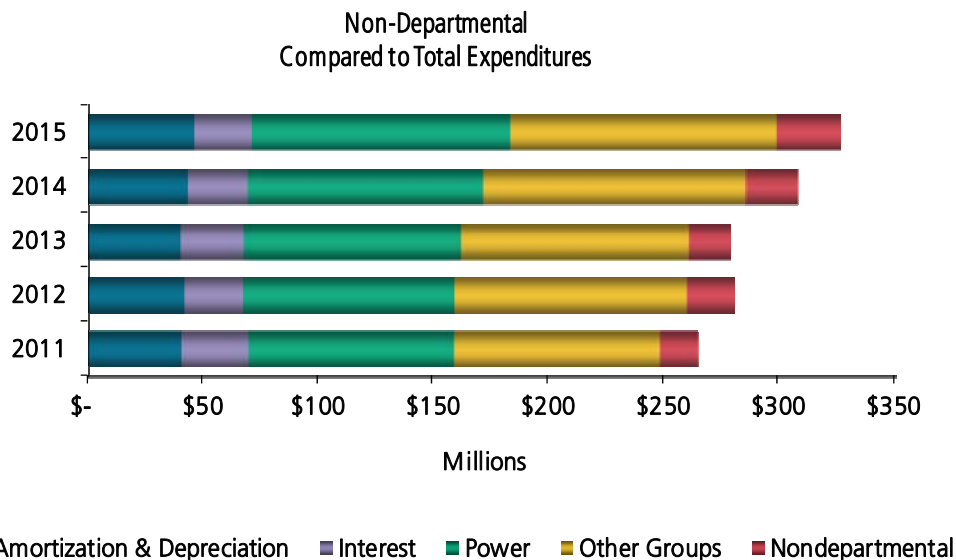
Expenditures by Fund					
Operating Expenses					
General Fund	\$ 1,119.8	\$ 462.5	\$ 490.9	\$ 625.7	\$ 638.3
CAGR Account	57.1	25.9	-	-	-
Other Funds and Accounts	-	-	-	-	-
Total Operating Expenses	\$ 1,176.9	\$ 488.4	\$ 490.9	\$ 625.7	\$ 638.3
Capital Expenditures	54.1	-	-	-	-
Total Expenditures	\$ 1,231.0	\$ 488.4	\$ 490.9	\$ 625.7	\$ 638.3
Staffing (FTE)	6.7	5.0	5.0	5.0	5.0





NON-DEPARTMENTAL BUDGET SUMMARY

(Dollars in Thousands)	2011 Actuals	2012 Actuals	2013 Projected	2014 Budget	2015 Budget
Operating & Nonoperating Expenses					
Salaries & benefits	\$ 16,014.8	\$ 18,591.0	\$ 18,464.2	\$ 18,056.1	\$ 18,985.9
Pumping power	\$ 88,996.0	\$ 91,568.0	\$ 94,259.0	\$ 101,867.0	\$ 111,570.0
Transmission & capacity charges	\$ 7,752.0	\$ 11,790.0	\$ 11,575.0	\$ 11,945.0	\$ 12,464.0
Amortization & depreciation	\$ 40,718.0	\$ 42,012.0	\$ 40,327.0	\$ 43,029.0	\$ 45,955.0
Interest expense	\$ 28,968.0	\$ 25,215.0	\$ 27,260.0	\$ 26,407.0	\$ 25,385.0
Other expenses	\$ (10,423.4)	\$ (9,574.9)	\$ (11,503.8)	\$ (10,202.1)	\$ (10,978.2)
Total Operating & Nonoperating Expenses	\$ 172,025.4	\$ 179,601.1	\$ 180,381.4	\$ 191,102.0	\$ 203,381.7
Expenditures by Fund					
Operating & Nonoperating Expenses					
General Fund	\$ 177,630.8	\$ 186,678.0	\$ 186,644.9	\$ 196,766.1	\$ 209,177.1
CAGR Account	\$ 868.5	\$ 873.1	\$ 1,324.9	\$ 1,341.0	\$ 1,381.3
Other (see note)	\$ (6,473.9)	\$ (7,950.0)	\$ (7,588.4)	\$ (7,005.1)	\$ (7,176.7)
Total Operating & Nonoperating Expenses	\$ 172,025.4	\$ 179,601.1	\$ 180,381.4	\$ 191,102.0	\$ 203,381.7
Capital Expenditures	\$ 3,369.5	\$ 238.5	\$ (146.6)	\$ 2,775.0	\$ 7,449.2
Total Expenditures	\$ 175,394.9	\$ 179,839.6	\$ 180,234.8	\$ 193,877.0	\$ 210,830.9



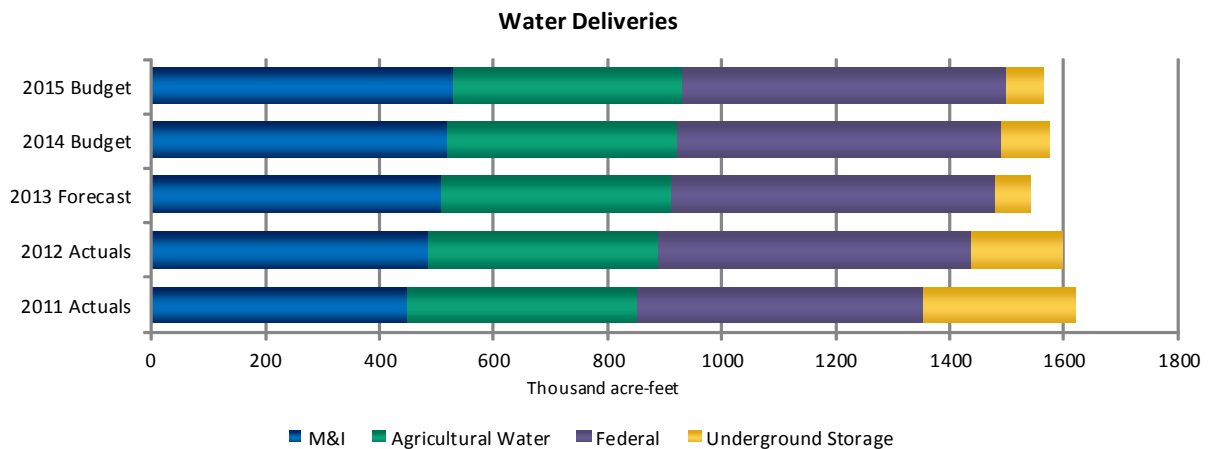
FTEs	2011 Actuals	2012 Actuals	2013 Projected	2014 Budget	2015 Budget
Vacancy/Salary Savings Equivalent			(1.3)	(15.0)	(15.0)



WATER DELIVERIES

(Acre-Feet)

	2011 Actuals	2012 Actuals	2013 Projected	2014 Budget	2015 Budget
Municipal & Industrial Water					
Subcontract	420,328	461,617	470,563	481,505	490,958
Non-subcontract	31,421	27,260	39,804	40,791	40,470
Temporary water use permits	717	330	695	695	695
Subtotal	452,466	489,207	511,062	522,991	532,123
Agricultural Water					
Settlement pool	399,228	400,000	400,000	400,000	400,000
Excess	1,304	1,223	846	-	-
Subtotal	400,532	401,223	400,846	400,000	400,000
Federal Water					
On-reservation	134,662	171,169	178,350	188,328	189,280
Off-reservation	366,891	377,205	388,751	380,092	379,040
Subtotal	501,553	548,374	567,101	568,420	568,320
Interstate Water Banking					
	-	-	-	-	-
Underground Storage Water					
Direct incentive	49,737	3,274	2,565	4,854	3,710
Direct AWBA	91,070	77,416	26,016	14,784	14,784
Indirect incentive	79,849	23,755	7,081	7,280	5,565
Indirect AWBA	44,506	55,557	28,030	58,019	40,871
Subtotal	265,162	160,002	63,692	84,937	64,930
Total water deliveries	1,619,713	1,598,806	1,542,701	1,576,348	1,565,373
Credit transfer to CAGR	120	-	203	120	117
Credit exchange	-	-	-	-	-
Total water deliveries with credits	1,619,833	1,598,806	1,542,904	1,576,468	1,565,490



WATER REVENUE GENERAL FUND

(In Thousands)

	2011 Actuals	2012 Actuals	2013 Projected	2014 Budget	2015 Budget
Water O&M Charges					
Municipal & Industrial Water					
Subcontract	\$ 51,346.2	\$ 54,038.9	\$ 59,290.9	\$ 69,336.7	\$ 76,098.5
Non-subcontract	3,942.6	3,439.5	5,015.3	5,873.9	6,272.9
Temporary water use permits	120.5	168.2	139.0	173.8	173.8
Subtotal	55,409.3	57,646.6	64,445.2	75,384.4	82,545.2
Agricultural Water					
Settlement Pool	16,955.0	17,401.1	18,212.2	20,029.6	21,629.6
Excess	159.1	143.5	106.6	-	-
Subtotal	17,114.1	17,544.6	18,318.8	20,029.6	21,629.6
Federal Water	61,656.5	64,716.8	71,454.7	81,852.5	88,089.6
Interstate Water Banking	1.1	-	-	-	-
Underground Storage Water					
Direct incentive	5,896.3	383.1	323.2	699.0	575.1
Direct AWBA	11,110.5	9,057.7	3,278.0	2,128.9	2,291.5
Indirect incentive	9,741.6	2,779.3	892.2	1,048.3	862.6
Indirect AWBA	5,429.7	6,500.2	3,531.8	8,354.7	6,335.0
Water storage tax - AWBA	(13,400.6)	(12,510.9)	(5,309.4)	(7,413.3)	(6,811.1)
Subtotal	18,777.5	6,209.4	2,715.8	4,817.6	3,253.1
Total water deliveries	152,958.5	146,117.4	156,934.5	182,084.1	195,517.5
Adjustment	-	-	-	-	-
Credit transfer to CAGR	(0.5)	-	25.6	17.3	18.1
Credit exchange	-	-	-	-	-
Total water O&M charges	\$ 152,958.0	\$ 146,117.4	\$ 156,960.1	\$ 182,101.4	\$ 195,535.6
Capital Charges					
M&I subcontractors	\$ 9,310.7	\$ 9,312.4	\$ 9,312.2	\$ 40,396.9	\$ 13,040.5
M&I non-subcontractors	4,456.6	2,815.4	1,552.4	2,517.0	2,215.9
Agriculture subcontractors	19.6	18.4	12.7	-	-
Underground storage facilities	524.3	378.3	290.6	160.3	126.2
Total capital charges	\$ 14,311.2	\$ 12,524.5	\$ 11,167.9	\$ 43,074.2	\$ 15,382.6

Note: Minor differences due to rounding.

CENTRAL ARIZONA PROJECT RATE SCHEDULE

DELIVERY RATES FOR VARIOUS CLASSES OF WATER SERVICE

(The Letter Designations in the Formulas Refer to the Rate Components Shown Below)
Units = \$/ acre-foot

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Firm</u> <u>2014</u>	<u>Advisory</u> <u>2015</u>
<u>Municipal and Industrial</u>					
Long Term Subcontract (B+C) ¹	\$ 122	\$ 122	\$ 129	\$ 146	\$ 157
Non-Subcontract (A+B+C)	137	137	144	166	178
Recharge (A+B+C) ²	137	137	144	166	178
AWBA Interstate Recharge (A+B+C+D) ³	167	165	168	189	202
<u>Federal</u> (B+C)	\$ 122	\$ 122	\$ 129	\$ 146	\$ 157
<u>Agricultural</u>					
Settlement Pool (C) ⁴	\$ 53	\$ 49	\$ 53	\$ 67	\$ 74
<u>Agricultural Incentives</u> ⁴					
Meet Settlement Pool Goals	\$ (8)	\$ (4)	\$ (6)	\$ (14)	\$ (17)
Meet AWBA/CAGRDR GSF Goals	(2)	(1)	(1)	(2)	(2)
Meet Recovery Goals	(2)	(1)	(1)	(2)	(2)

RATE COMPONENTS

Units = \$/acre-foot

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Firm</u> <u>2014</u>	<u>Advisory</u> <u>2015</u>
<u>Capital Charges</u>					
(A) Municipal and Industrial - Long Term Subcontract ⁵	\$ 15	\$ 15	\$ 15	\$ 20	\$ 21
<u>Delivery Charges</u>					
(B) Fixed OM&R ⁶	\$ 69	\$ 73	\$ 76	\$ 79	\$ 83
(C) Pumping Energy Rate 1 ⁷	53	49	53	67	74
(D) Property Tax Equivalency ⁸	30	28	24	23	24

Long-Term Municipal and Industrial (M&I) Subcontract: M&I subcontractors

Non-Subcontract: M&I users who are not subcontractors and the Central Arizona Groundwater Replenishment Recharge (Arizona Water Banking Authority (AWBA)/CAGRDR and M&I Underground Water Storage): The AWBA and M&I subcontractors, Bureau of Reclamation (BOR or Reclamation) and other Arizona entities who have valid Arizona Department of Water Resources (ADWR) permits and accrue long-term recharge/storage credits from this activity

DIRECT UNDERGROUND WATER STORAGE

Units = \$/acre-foot

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Firm 2014</u>	<u>Advisory 2015</u>
<u>Underground Water Storage O&M</u>⁹					
Phoenix AMA	\$ 8	\$ 8	\$ 8	\$ 8	\$ 9
Tucson AMA	15	15	15	15	15
<u>Underground Water Storage Capital Charge</u>¹⁰					
Phoenix AMA	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15
Tucson AMA	9	9	9	9	9

CENTRAL ARIZONA GROUNDWATER REPLENISHMENT DISTRICT ASSESSMENT RATES

Units = \$/acre-foot

	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>	<u>Firm 2013/14</u>	<u>Advisory 2014/15</u>
<u>Phoenix Active Management Area</u>					
Water & Replenishment Component ¹¹	\$ 140	\$ 140	\$ 137	\$ 160	\$ 173
Administrative Component ¹²	38	42	44	45	45
Infrastructure & Water Rights Component ¹³	131	170	204	245	294
Replenishment Reserve Charge ¹⁴	47	51	52	58	63
Total Assessment Rate (\$/AF)	\$ 356	\$ 403	\$ 437	\$ 508	\$ 575
<u>Pinal Active Management Area</u>					
Water & Replenishment Component ¹¹	\$ 110	\$ 116	\$ 117	\$ 140	\$ 153
Administrative Component ¹²	38	42	44	45	45
Infrastructure & Water Rights Component ¹³	131	170	204	245	294
Replenishment Reserve Charge ¹⁴	45	53	56	65	70
Total Assessment Rate (\$/AF)	\$ 324	\$ 381	\$ 421	\$ 495	\$ 562
<u>Tucson Active Management Area</u>					
Water & Replenishment Component ¹¹	\$ 155	\$ 155	\$ 161	\$ 183	\$ 195
Administrative Component ¹²	38	42	44	45	45
Infrastructure & Water Rights Component ¹³	131	170	204	245	294
Replenishment Reserve Charge ¹⁴	53	60	65	75	80
Total Assessment Rate (\$/AF)	\$ 377	\$ 427	\$ 474	\$ 548	\$ 614
<u>Contract Replenishment Tax - Scottsdale</u>¹⁵					
Cost of Water	\$ 133	\$ 137	\$ 137	\$ 144	\$ 166
Cost of Transportation	0	0	0	0	0
Cost of Replenishment	0	0	0	0	0
Administrative Component ¹²	38	42	44	45	45
Total Tax Rate (\$/AF)	\$ 171	\$ 179	\$ 181	\$ 189	\$ 211

ENROLLMENT & ACTIVATION FEES

Units = \$/Housing Unit

Enrollment Fee ¹⁶	\$ 107	\$ 138	\$ 165	\$ 198	\$ 237
Activation Fee ¹⁶	\$ 105	\$ 136	\$ 163	\$ 196	\$ 235

ANNUAL MEMBERSHIP DUES

<u>Member Land Annual Membership Dues (\$/Lot)</u> ¹⁷					
Phoenix Active Management Area	--	6.88	9.87	13.19	17.91
Pinal Active Management Area	--	0.90	1.29	1.74	2.41
Tucson Active Management Area	--	4.34	6.24	8.38	11.53
<u>Member Service Area Annual Membership Dues (\$/AF)</u> ¹⁷	--	10.35	14.88	20.08	27.91

NOTES:

- 1 Does not include the Capital Charge.
- 2 This rate applies to all recharge customers. Recharge (AWBA/CAGRDR and M&I Underground Water Storage): The Arizona Water Banking Authority and M&I subcontractors, BOR and other Arizona entities who have valid Arizona
- 3 The rate is obtained by adding the Fixed OM&R component, the Pumping Energy Rate 1 component, the M&I Capital Charge and an equivalency tax component.
- 4 Rate is the Pumping Energy Rate 1 component. Incentives may be earned for meeting delivery goals in three areas. Any incentives earned are applied to Settlement Pool deliveries.
- 5 For M&I subcontract water, the Capital Charge is paid on full allocation regardless of amount delivered and not included in delivery rates.
- 6 Fixed O&M costs divided by projected total water volumes plus components to fund capital replacements and a rate stabilization reserve. This amount is collected on all ordered water whether delivered or not.
- 7 Applies to all water deliveries. The calculation is pumping energy costs divided by projected volumes. This amount is collected only for water actually delivered as opposed to scheduled.
- 8 The rate is based upon the tax levy for the previous elapsed tax year divided by the average water deliveries (excluding Federal deliveries and water storage credits) for the three previous completed delivery years (e.g., for 2012, the tax equivalency is the levy for the 2010-2011 tax year divided by the average water deliveries for 2008, 2009 and 2010). The Provisional and Advisory Rates are estimates. Note: the 2012 rate has been revised.
- 9 Underground Water Storage O&M is paid by all direct recharge customers using CAP recharge sites.
- 10 Underground Water Storage Capital Charge is paid by all direct recharge customers except AWBA for M&I firming, CAGRDR, municipal providers within the CAP service area and co-owners of CAWCD recharge facilities using no more than their share of capacity.
- 11 The Water & Replenishment Component is designed to cover the projected annual costs of satisfying replenishment obligations, including the purchase of long-term storage credits (LTSC) and the purchase and replenishment of water and effluent. The total volume of water to be purchased and replenished includes a sufficient volume to offset losses incurred during the replenishment process (generally 1% to 2.5%). For the Phoenix Active Management Area (AMA), replenishment is planned to be accomplished at direct underground storage facilities (USFs) and groundwater savings facilities (GSFs). For the Pinal AMA, replenishment is planned to be accomplished at GSFs. For the Tucson AMA, replenishment is planned to be accomplished at USFs.
- 12 The Administrative Component is designed to cover all CAGRDR administrative costs except labor related costs associated with the acquisition of water rights and infrastructure. A \$2/AF has been added to this component to help fund the CAGRDR conservation program.
- 13 The Infrastructure & Water Rights Component is designed to generate funds to purchase long-term rights to water, and construct additional infrastructure facilities as the need arises.
- 14 The Replenishment Reserve Charge is designed to cover costs associated with establishing a replenishment reserve of LTSCs as required by statutes. Water will be stored at a combination of USFs and GSFs in the Phoenix and at USFs the Tucson AMAs. In the Pinal AMA, LTSCs will be purchased from CAP in accordance with Board policy adopted on October 6, 2005. This charge will be levied as provided in ARS Sections 48-3774.01 and 48-3780.01.
- 15 The components of the Contract Replenishment Tax - Scottsdale reflect the provisions in the Water Availability Status Contract to Replenish Groundwater between CAWCD and Scottsdale. The rates reflect the assumption that Non-Subcontract CAP water will be available to meet the associated contract replenishment obligations.
- 16 The Enrollment Fee and Activation Fee reflect the fees established pursuant to the CAGRDR Enrollment Fee and Activation Fee Policy adopted by the Board on May 1, 2008. A \$2 per housing unit is included in the Enrollment Fee to help fund CAGRDR's conservation program.
- 17 The Annual Membership Dues for Member Lands and Member Service Areas reflect the fees established pursuant to ARS Sections 48-3772.A.8 and 48-3779 as well as the Policy on Collection of CAGRDR Annual Membership Dues adopted by the Board on April 7, 2011.



PUMPING POWER COSTS

(General Fund)

	2011 Actuals	2012 Actuals	2013 Projected	2014 Budget	2015 Budget
Energy Purchases (MWH)					
Waddell	51,588	49,813	35,861	33,862	29,780
Hoover B	163,723	155,803	153,102	150,886	150,886
Navajo	2,695,355	2,494,821	2,687,172	2,718,886	2,654,764
Energy Market Purchases	17,781	243,513	119,808	73,735	142,177
Recovery energy	2,769	-	-	-	-
Total energy purchases	2,931,216	2,943,950	2,995,943	2,977,369	2,977,607
Energy Rates (\$/MWH)					
Hoover B	\$ 16.95	\$ 17.66	\$ 18.21	\$ 18.05	\$ 18.93
Navajo	30.45	31.30	32.37	34.22	37.67
Energy Market Purchases	29.23	27.60	30.63	33.71	37.21
Recovery energy	63.90	-	n.a.	n.a.	n.a.
Total average energy rates	\$ 29.71	\$ 30.25	\$ 31.57	\$ 33.38	\$ 36.69
Energy Costs (\$000)					
Hoover B	\$ 2,775.5	\$ 2,752.1	\$ 2,788.6	\$ 2,724.0	\$ 2,856.2
Navajo	82,080.6	78,078.8	86,979.5	93,035.5	100,008.4
Energy Market Purchases	519.7	6,720.8	3,669.6	2,485.6	5,290.4
Recovery energy	176.9	-	-	-	-
Total pumping plant energy	\$ 85,552.7	\$ 87,551.7	\$ 93,437.7	\$ 98,245.1	\$ 108,155.0
Energy scheduling services	\$ 746.7	\$ 1,333.7	\$ 1,337.0	\$ 1,377.1	\$ 1,418.4
Energy Balancing Services	568.1	1,747.8	1,788.0	1,841.6	1,896.9
MWD agreement expense	83.3	5.1	98.6	102.3	105.6
Lake Pleasant adjustment	2,043.4	500.5	(2,971.7)	15.7	(6.1)
Lake Roosevelt adjustment	2.1	429.5	569.4	284.7	-
Net pumping energy	\$ 88,996.3	\$ 91,568.3	\$ 94,259.0	\$ 101,866.5	\$ 111,569.8



FEDERAL DEBT SCHEDULE

(In Thousands)

	2011 Actuals	2012 Actuals	2013 Projected	2014 Budget	2015 Budget
Sources of Funds					
Navajo-Related Revenues:					
SRP related revenues	\$ 23,722	\$ 24,711	\$ 25,210	\$ 25,967	\$ 26,746
Other NGS net revenues	(1,894)	(13,574)	(2,109)	(4,100)	(4,082)
Shaping & displacement	63	3	-	-	-
Net Revenues - NGS	21,891	11,140	23,101	21,867	22,664
Net Navajo Misc Revenues	286	2,242	1,274	800	816
Hoover 4.5 mil surcharge	3,216	3,372	3,385	3,200	3,200
Parker-Davis	2,705	2,685	2,655	2,685	2,685
Net CAP transmission revenues	(2,598)	758	1,130	1,130	1,130
Transmission line loss revenues	815	715	715	715	715
Land-related revenues:					
Land use (net)	1,143	456	572	1,160	720
Land sales (net)	346	243	-	1,500	2,505
Interest on deposits	419	293	459	462	485
Total Credits held by Federal Government	\$ 28,223	\$ 21,904	\$ 33,291	\$ 33,519	\$ 34,920
Uses of Funds					
Principal	\$ (26,343)	\$ (26,343)	\$ (26,343)	\$ (31,361)	\$ (31,361)
Interest	(28,968)	(28,114)	(27,260)	(26,407)	(25,385)
Gross Payment (<i>Due Jan. 20th following year-end</i>)	\$ (55,311)	\$ (54,457)	\$ (53,603)	\$ (57,768)	\$ (56,746)
(Net Due) / Excess Funds in BDF	\$ (27,088)	\$ (32,553)	\$ (20,312)	\$ (24,249)	\$ (21,826)
CAP NGS Energy Reconciliation	95.0	(4,982.0)	2,390	-	-
Net Funds (Due to)/from Federal Government	\$ (26,993)	\$ (37,535)	\$ (17,922)	\$ (24,249)	\$ (21,826)

The Department of the Interior and the CAWCD entered into a contract for delivery of water and repayment of costs of the Central Arizona Project in December 1972. The contract was amended in December 1988 and further modified by the repayment stipulation in May 2000. This contract is known as the Master Repayment Contract. The Master Repayment Contract requires the District to repay the reimbursable costs of the CAP over a 50-year period for each construction stage.



RECONCILIATION OF OPERATION, MAINTENANCE & REPLACEMENT COSTS

CALCULATION OF FIXED OM&R						
	2013		2014		2015	
	Projected	Published Rate	Budget	Pre-Set Rate	Budget	Advisory Rate
General Fund Operating Expenses	\$ 224,165.0		\$ 237,771.8		\$ 252,112.1	
Less Adjustments:						
Hoover capacity charges	(4,164.8)		(4,260.3)		(4,468.0)	
Depreciation & Amortization of PSR	(40,326.4)		(43,028.8)		(45,954.4)	
Navajo accretion	(579.7)		(608.7)		(639.1)	
Pumping power	(94,259.0)		(101,866.5)		(111,569.8)	
Underground storage site O&M	(2,029.5)		(1,397.9)		(1,414.8)	
Extraordinary Maintenance (part of "Big R")	(3,011.3)		(25.1)		(176.2)	
Other income	(672.6)		(680.4)		(688.3)	
Inventory adjustment	(50.0)		(50.0)		(50.0)	
Less Total Adjustments	(145,093.3)		(151,917.7)		(164,960.6)	
Fixed O&M	79,071.7	80,786.0	85,854.1	84,116.0	87,151.5	\$ 87,708.0
Pumping Power	94,259.0		101,866.5		111,569.8	
Hoover Capacity Charge	1,374.4		2,811.8		4,468.0	
Total Pumping Power Expenses	95,633.4		104,678.3		116,037.8	

CALCULATION OF RECONCILED WATER RATES						
	2013		2014		2015	
	Projected	Published Rates	Budget	Pre Set Rate	Budget	Advisory Rate
Water O&M Costs:						
Fixed O&M	\$ 79,071.7	\$ 80,786.0	\$ 85,854.1	\$ 84,116.0	\$ 87,151.5	\$ 87,708.0
Pumping power (Energy Rate 1)	95,633.4	87,645.0	104,678.3	103,071.0	116,037.8	112,736.0
Applied Net Shaping & Displacement Funds	-	(2,883.0)	-	-	-	-
Net Energy Rate 1	95,633.4	84,762.0	104,678.3	103,071.0	116,037.8	112,736.0
Water Deliveries (Acre-Feet)						
Billed Fixed OM&R Water Volumes & Credits (AF)	1,557,904	1,563,954	1,591,468	1,563,083	1,580,490	1,550,654
Energy Rate 1 Water Volumes (AF)	1,542,904	1,548,954	1,576,468	1,548,083	1,565,490	1,535,654
Cost Per Acre-Foot						
Calculated Fixed OM&R Rate (\$/AF)	\$ 50.76	\$ 52.00	\$ 53.95	\$ 54.00	\$ 55.67	\$ 57.00
Capital Replacement Component (\$/AF)	21.00	21.00	23.00	23.00	24.00	24.00
Rate Stabilization Component (\$/AF)	3.00	3.00	2.00	2.00	2.00	2.00
Navajo Decommissioning Rate (\$/AF)	0.17	0.17	0.19	0.19	0.22	0.22
Calculated Energy Rate 1 with reserves applied (\$/AF)	61.98	52.83	66.40	66.81	74.12	73.78
Total Water O&M Rate	\$ 136.91	\$ 129.00	\$ 145.54	\$ 146.00	\$ 156.01	\$ 157.00

SO₂ credits/Reserves needed to stabilize rate	\$ (12,206.7)	\$ (2,400.0)
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POLICIES, GUIDELINES & PRACTICES

FINANCIAL AND OPERATIONAL OBJECTIVES

The Board

The policies and governing principles subscribed to by the Central Arizona Water Conservation District (CAWCD or District) Board of Directors (Board) provide direction to staff in accomplishing the financial and operational objectives of Central Arizona Project (CAP). These policies and principles ensure that financial decisions are made with full public disclosure and opportunity for public input. As the state's largest provider of renewable water supplies, open and interactive public discussions of financial and budget issues will ensure that public trust is maintained and enhanced.

General Manager and Senior Management

The General Manager (GM), in consultation with the Senior Management Team (SMT), using the directives provided in the Board's Human Resources Policy, establishes policies, programs and practices that protect the assets of CAP. Policies are in place that strive to recruit, select and retain qualified employees who, using established policies, programs and practices, will protect the resources that have been entrusted to their use and care by the public.

Finance and Accounting

The finance and accounting guidelines and practices establish the basis for the overall financial planning and management framework at CAP. These guidelines and practices are established by accounting guidelines (i.e., Generally Accepted Accounting Principles (GAAP) and Government Accounting Standards Board (GASB)), laws and regulations, and internally developed procedures that help ensure the prudent and professional financial management practices needed to achieve and maintain long-term financial stability.



BOARD SUMMARY AND GUIDING PRINCIPLES

Policy Name	Board Approval	Synopsis
CAP Water Allocations		
Water Allocation		<ul style="list-style-type: none"> Federal Register Notice dated March 24, 1983, allocating CAP water Federal Register Notice dated February 5, 1992, allocating CAP water
Procedures for Allocating Excess CAP Water for 2010 – 2014	06/04/09	Establishes: <ul style="list-style-type: none"> maximum pools of excess water for each of the following uses: <ul style="list-style-type: none"> AWBA and CAGRDR Replenishment Reserve CAGRDR Replenishment Obligation Municipal Industrial and Other
Policy Regarding the Relinquishment & Transfer of CAP Municipal & Industrial (M&I) Subcontract Allocations	09/06/96 11/07/02	Requires: <ul style="list-style-type: none"> CAP to work with Arizona Department of Water Resources (ADWR) in all transfers and relinquishments all financial transactions be made through CAP financial arrangements be made in accordance with the policy no financial benefit to the transferring entity subcontractors outside CAP service area to notify CAP and ADWR of their intent to transfer CAP to reduce payment due from the acquiring entity for any prepaid charges previously collected as a result of the acquiring entity paying full-cost M&I rates for excess water purchased after requesting the subcontract transfer and prior to completion of the transfer
Environment		
Environmental Compliance Policy	02/02/93	Requires CAP to comply with all applicable environmental laws and regulations
CAGRDR Conservation Program	03/02/06	Provides for better understanding of the CAGRDR by its members and reduction in members' water use. Program components include: <ul style="list-style-type: none"> education partnerships/collaboration study to determine groundwater use efficiency of CAGRDR Members' Lands (ML) funding

Policy Name	Board Approval	Synopsis
CAP Facilities		
Interstate Off-stream Underground Storage Policy	06/22/00	<p>Provides for:</p> <ul style="list-style-type: none"> • excess water for the interstate use is lowest priority • pricing philosophy for interstate excess water • storage and recovery is consistent with state water management goals and CAP operational needs • CAP is a party to agreements that use the CAP system or deliver to a CAP contractor or subcontractor • CAP is a party to agreements for Intentionally Created Unused Apportionment • interstate entity has a formal water resource plan to end reliance on interstate storage
Recreational Trail Policy	06/20/02	<p>Provides for:</p> <ul style="list-style-type: none"> • CAP to make right-of-way available for multi-use non-motorized recreational trail • trail to be located outside CAP's security fence • CAP to facilitate agreements between municipality sponsors and Reclamation • CAP to work with municipal planning departments to request new developments provide adequate width or setback to accommodate trail development in areas where such is required • CAP will consider development of trails on CAP-owned lands that are being operated as recharge projects
Use of Excess Canal Capacity (Revised 2005, 2006)	12/05/02	<p>Provides for:</p> <ul style="list-style-type: none"> • non-transferable interim set asides of canal capacity for wheeling non-project water • supersedes past Board policies related to the use of excess canal capacity (i.e., Position Statement Relative to Transportation of Non-Project Water and Statement of Policies and Principles Regarding the Use of CAP Facilities to Facilitate Indian Water Rights Settlements) • CAP acquiring and allocating new supplies to be delivered through the excess canal capacity • reserving decisions about the use of excess canal capacity over and above that needed to satisfy interim set asides
Energy Risk Management Policy	10/07/04	<p>Provides for:</p> <ul style="list-style-type: none"> • framework for identifying, assessing and managing energy-related risks • alignment of energy trading and marketing activities with Board objectives • process and internal controls to manage energy risk exposure • standardized methods for measuring risks • risk limits within which management is authorized to act • periodic reporting to the Board
Underground Storage Facility Capacity Priority Policy	05/02/13	<p>Provides for:</p> <ul style="list-style-type: none"> • methodology for scheduling and if necessary, prioritizing recharge capacity at underground storage facilities owned by CAWCD

Policy Name	Board Approval	Synopsis
Financial		
CAP Rate Setting Policy	11/06/97 10/06/05	Establishes strategy, philosophy and process regarding goals, cost measurement, charges for subcontract water delivery, capital and excess water, and forward announcement of prices, pools and price stability Provides for biennial rate-setting, in accordance with the biennial budget process
Approved Water Rate Schedule	June of Even Numbered Years	Establishes firm delivery rates for the following two years and advisory rates for the subsequent four years
CAGRDR Annual Membership Dues	04/07/11	Provides methodology and process for establishing annual membership dues for CAGRDR Member Lands (ML) and Member Service Areas (MSA)
CAGRDR Assessment Rate Setting Policy	04/05/01 10/06/05	Establishes purpose, process and methodology for computing components of CAGRDR assessment rates
CAGRDR Enrollment Fee and Activation Fee Policy	05/06/04 05/01/08	Provides mechanism to collect fees from Member Lands and Member Service Areas to be used to acquire water rights and develop infrastructure necessary for the CAGRDR.
General Fund Discretionary Reserve Strategy	03/06/03	Provides for CAP to implement a reserve policy that meets a new reserve target that will trend General Fund discretionary reserves down to between \$160 and \$165 million over the next several years. The reserves will be segregated into the following categories: Restricted (Master Contract Reserves), designated (Capital Replacement and Operating Reserves), and unrestricted (Working Capital and Insurance Reserves).
Recharge Rate Setting Policy	10/02/03	Establishes process and methodology for setting recharge rates that provides for cost recovery, rate predictability and stability, operational efficiency, accountability and legal compliance
Administration & Human Resources		
Human Resources & Management Practices	09/05/02	Provides for development of policies, programs and procedures in the areas of Administration, Compensation and Benefits, Employment, and Environment, Health, Safety and Security
Inspection Standards and Retention Requirements for Water Provider Records Relating to CAGRDR Annual Reports	03/02/06	Provides for: <ul style="list-style-type: none"> inspection procedures to be followed by CAP when inspecting records of CAGRDR water providers record retention requirements for CAGRDR water providers

Policy Name	Board Approval	Synopsis
Use Of Colorado River Water		
Statement of Policy to Encourage Maximum Use of Available Colorado River Water	09/03/87 03/08/01	Encourages: <ul style="list-style-type: none"> • direct use or storage of CAP water • water users to build and operate underground recharge projects • CAP to use CAP funds to build and operate underground recharge projects for users on a reimbursable basis • CAP to build and operate State Demonstration Projects for use by CAGRDR, water user entities and AWBA
CAP Water Use		
Refinancing of 9(d) Debt [Discussion Paper]	05/18/00	Requires: <ul style="list-style-type: none"> • CAP to provide state parties' share of 9(d) debt for non-Indian agriculture (NIA) distribution systems • future subcontractors of NIA priority water to pay CAP proportionate amount with interest • CAGRDR eligibility for relinquished NIA water
Excess Water Marketing for Non-Indian Agriculture 2004 through 2030	05/18/00	Promotes use of excess CAP water by non-Indian agriculture (NIA) Provides: <ul style="list-style-type: none"> • high priority pools of excess water for NIA use through 2030 • charges to be equal to Pumping Energy Rate charged to long-term subcontractors • monthly capacity rights equal to long-term subcontractors' rights • program for allocating NIA pool to be determined (12/5/2002 supplemental policy)
Supplemental Policy for Marketing Excess Water for NIA Use — 2004 through 2030 [Background Paper]	12/05/02	Promotes use of excess CAP water by non-Indian agriculture (NIA) Provides: <ul style="list-style-type: none"> • allocation of NIA pool • eligibility requirements for participation as GSF • guidelines for incentive recharge water availability and priority
Policy Regarding the Dedication of CAP's Existing Underground Storage Credits to CAGRDR for Use in Establishing the Replenishment Reserve	10/06/05	Provides for: <ul style="list-style-type: none"> • dedication of long-term stored water credits for use by CAGRDR in establishing a replenishment reserve • payment by CAGRDR to CAP for credits in the year in which credits are used

GENERAL MANAGER & SENIOR MANAGEMENT

Policy Name	Policy Approved	Synopsis
Administration		
Purchasing	03/02/00 01/07/13	Provides for: <ul style="list-style-type: none"> maintaining and administering a procurement program to acquire goods and services achieving balance between minimizing the cost for goods and services and striving for reasonable response and flexibility specifying the approval authority of staff positions and the GM
Fleet Vehicles	01/05/01 01/01/07	Provides for: <ul style="list-style-type: none"> management and control of the acquisition, delivery, assignment, pooling, replacement, disposal and maintenance of fleet vehicles control of vehicle administration, costs and integration of fleet vehicles into company operations
Purchasing and Fleet Credit Card Program	03/01/08	Provides: <ul style="list-style-type: none"> guidelines and establishes specific limitations for the use of purchasing and fleet credit cards by employees as part of normal operations
Project Approval and Implementation	04/11/01 04/09/08	Provides for: <ul style="list-style-type: none"> structure to evaluate, prioritize and oversee capital projects facilitation of planning, approval, implementation and completion of capital projects communication method among Project Managers and management
Travel	06/04/01 07/15/13	Provides for: <ul style="list-style-type: none"> prudent expenditure of funds budgeted for travel proper authorization and recording of travel related expenses reimbursement of authorized business related expenses incurred while on travel status
Property	06/15/01 02/01/11	Provides for: <ul style="list-style-type: none"> physical tracking and accounting of the acquisition, assignment, transfer, capitalization, depreciation and disposal of property safeguarding against loss, theft or misuse

Policy Name	Policy Approved	Synopsis
Records and Information Management	05/12/00 08/31/10	Provides for: <ul style="list-style-type: none"> management of CAP records, including all information, paper and electronic data use of a Uniform File Coding System, retention system and disposition/destruction schedule
Risk Management	11/01/04 10/16/08	Assigns: <ul style="list-style-type: none"> responsibility for managing risk and protecting CAP from financial harm
Business Meals and Catering	03/01/08	Provides: <ul style="list-style-type: none"> guidelines and sets limits for business meals and catering required for business meetings
Extraordinary Event	05/18/09	Establishes: <ul style="list-style-type: none"> special operating procedures that may be implemented by the GM as a result of an extraordinary, emergency event
Media Relations	04/18/11	Identifies: <ul style="list-style-type: none"> CAP's Communications and Public Affairs Group as the principal point of contact for all members of the media
Social Media Use	04/18/11	Provides: <ul style="list-style-type: none"> protocol and procedures for the use of social media to promote and publicize CAP prohibits postings and comments that violate CAP policies, are offensive to others or are discriminatory
Compensation and Benefits		
Paid Leave	09/20/90 02/21/12	Provides for: <ul style="list-style-type: none"> paid time off for vacations based on years of service and hours worked paid time off for holidays and personal time based on hours worked paid time off for specific absences, e.g., jury duty, court summons, marriage, funeral of co-worker, death of family member income protection when employees cannot work due to their own or a family member's illness or injury
Uniformed Service Absence	09/20/90 05/12/06	Provides for: <ul style="list-style-type: none"> income protection when on short-term and long-term tours of duty leave of absence when on voluntary and involuntary active duty, training for active duty, and full-time National Guard duty reinstatement or reemployment opportunities upon honorable discharge
Employee Recognition Programs	03/01/08 07/30/12	Provides for: <ul style="list-style-type: none"> Guidelines and establishes a process to promote and recognize exceptional employee effort that provides immediate and visible recognition for employee contributions

Policy Name	Policy Approved	Synopsis
Overtime	09/20/90 12/10/07	Provides for: <ul style="list-style-type: none"> • scheduling of overtime hours • compensation for overtime hours worked in accordance with Fair Labor Standards Act
Victim's Leave Act	01/14/04 04/29/09	Provides for: <ul style="list-style-type: none"> • time off to attend juvenile and adult criminal court proceedings associated with being a crime victim
Employee Assistance Program	11/01/04	Provides for: <ul style="list-style-type: none"> • confidential and voluntary assistance to employees and family members • opportunity to find solutions to personal problems before such problems interfere with work performance
Pay Administration	09/20/90 02/28/11	Provides for: <ul style="list-style-type: none"> • pay evaluation and administration program that enables CAP to attract and retain a qualified work force • maintaining internal equity through defined compensable factors • maintaining external equity through pay practices and pay ranges • consideration to the external labor market • compensation flexibility to address changing business needs and economic conditions • rewarding employees based on performance achievement
Life Insurance Benefits	09/20/90 08/20/12	Provides for: <ul style="list-style-type: none"> • employer paid group term life insurance • employer paid accidental death and dismemberment insurance
Health Benefits	09/20/90 11/29/12	Provides for: <ul style="list-style-type: none"> • making group medical and dental health plans available to employees and eligible dependents with cost sharing by the employee and employer
Tuition Reimbursement	12/03/98 03/09/09	Provides for: <ul style="list-style-type: none"> • job related educational assistance upon successful completion of courses taken at colleges, universities and trade schools
Family Medical Leave Act (FMLA)	12/01/97 04/04/11	Provides for: <ul style="list-style-type: none"> • compliance with FMLA • usage for the birth or adoption of a child, to care for a family member with a serious health condition or the employee's serious health condition
Certifications and Memberships	05/01/02 11/01/04	Assigns: <ul style="list-style-type: none"> • financial assistance for job-related certifications, certification activities and professional or technical memberships

Policy Name	Policy Approved	Synopsis
Employment		
Recruitment and Selection	12/02/99 11/19/12	Provides: <ul style="list-style-type: none"> process for recruiting and selecting the candidate with the greatest chance of success to fill job vacancies
Relocation Assistance Program	01/14/04 10/04/11	Provides for: <ul style="list-style-type: none"> reimbursement of covered expenses associated with relocating a household for prospective and current employees
Temporary Work	11/01/04	Provides for: <ul style="list-style-type: none"> employment of temporary employees and independent contractors for a specified period of time for a specified purpose
Corrective Action	12/03/98 10/04/10	Provides for: <ul style="list-style-type: none"> coaching and counseling of employees based on documented or observed facts in response to unsatisfactory employee performance or conduct progressive discipline and termination for violations of work rules or for unsatisfactory performance
CAP Resolve	08/01/96 11/01/04	Provides for: <ul style="list-style-type: none"> multiple, progressive steps for resolving workplace issues in a user-friendly and timely manner legitimate alternatives to litigation
Vehicle Use	09/20/90 07/15/13	Provides for: <ul style="list-style-type: none"> employees who are required to drive during the course of employment to have a valid driver's license and maintain a good driving record
Ethical Business Conduct	02/04/99 09/27/06	Provides for: <ul style="list-style-type: none"> employees to refrain from engaging in conduct or activity that could raise questions about the company's honesty, impartiality or reputation, or could otherwise cause embarrassment to the company
Nepotism	12/01/97 09/01/13	Provides for: <ul style="list-style-type: none"> hiring family members of CAP employees is not permitted restricted work relationships of grandfathered family members
Discrimination and Harassment-Free Workplace	12/03/98 06/09/08	Provides for: <ul style="list-style-type: none"> treating individuals with dignity and respect equal employment opportunities relationships among employees to be businesslike and free of bias, prejudice and harassment non-discriminatory practices, including a policy against harassment employees to report perceived incidents of discrimination or harassment

Policy Name	Policy Approved	Synopsis
Apprenticeship Program	12/01/97 01/24/12	Provides for: <ul style="list-style-type: none"> non- and semi-skilled employees to become proficient and skilled in a selected trade through on-the-job training and supplemental technical and theoretical study
Work Schedules	07/22/98 06/05/11	Provides for: <ul style="list-style-type: none"> various work schedules that meet the needs of the company, customers and employees
Attendance	03/30/98 11/01/04	Clarifies: <ul style="list-style-type: none"> expectations regarding attendance, punctuality and reliability
Personal Appearance	01/12/05	Clarifies: <ul style="list-style-type: none"> expectations regarding personal appearance, personal hygiene and appropriate attire
Travel for Training	07/15/02 11/01/04	Provides for: <ul style="list-style-type: none"> flexible scheduling, compensation and other employment conditions while on travel status associated with training
Portal to Portal	03/30/98 11/01/04	Provides: <ul style="list-style-type: none"> expectations regarding travel to and from temporary living accommodations while on travel status
Telecommunications	06/04/01 04/18/11	Provides for: <ul style="list-style-type: none"> management and control of company telephones, cellular phones and pagers
E-Mail	11/14/02 08/31/10	Provides: <ul style="list-style-type: none"> criteria and parameters for the proper use, preservation, disclosure and disposition of electronic mail generated or received on company computers
Diversity and Inclusion	12/13/10	Provides for: <ul style="list-style-type: none"> CAP's intent to foster an atmosphere of acceptance and support for employees of diverse backgrounds

Policy Name	Policy Approved	Synopsis
Environment, Health, Safety and Security		
Workers' Compensation and Work-Related Illnesses and Injuries	09/20/90 04/04/11	Provides for: <ul style="list-style-type: none"> income protection for employees disabled as a result of work-related illnesses or injuries opportunities to return to work on light duty or restricted duty
Drug & Alcohol Abuse	12/03/98 07/15/13	Provides for: <ul style="list-style-type: none"> establishing and maintaining a workplace free from the effects of alcohol, misuse of legal drugs and the use, possession or distribution of drugs pre-employment drug testing reasonable suspicion testing
Information Security	11/14/02 06/25/12	Provides for: <ul style="list-style-type: none"> authorized use of computers, networks and other information system resources protecting the confidentiality, integrity and availability of information and information systems reporting information security violations and incidents
Safety	12/03/98 10/04/10	Provides for: <ul style="list-style-type: none"> maintaining a safe work environment reducing the number of incidents of injury, lost time associated with injuries and property damage accidents through the use of proper equipment, training & education, accident investigation and consistent improvement
Weapons Free Workplace	12/08/99	Provides for: <ul style="list-style-type: none"> safe work environment prohibiting firearms, explosives or dangerous offensive weapons on company property or in company vehicles
Environmental Compliance	10/09/03 02/28/11	Provides for: <ul style="list-style-type: none"> compliance with all applicable environmental laws and regulations identification of policies, plans, guides, programs and permits governing CAP's compliance with laws and regulations employees to report violations and environmental contaminations
Identification Badges	11/17/03 11/01/04	Provides for: <ul style="list-style-type: none"> employees, contractors and visitors to wear identification badges at all time while at headquarters
Return to Work Program	12/01/97 06/13/11	Provides for: <ul style="list-style-type: none"> reasonable accommodation to employees during medical recovery from a work or non-work related injury or illness

Policy Name	Policy Approved	Synopsis
Violence Free Workplace	12/01/97 04/11/11	Provides for: <ul style="list-style-type: none"> • safe work environment • zero tolerance of threats or acts of violence, acts of intimidation or coercion • employees to report incidents of violence and cooperate in investigations
Smoke Free Workplace	03/30/98 10/06/06	Provides for: <ul style="list-style-type: none"> • restrictions on smoking in work areas
Safety Incident Review	03/12/03 10/04/10	Provides: <ul style="list-style-type: none"> • process for timely and thorough investigation of safety incidents, (including accidents, safety policy or rule violations, job safety analysis violations, unsafe practices in the workplace and work related illness and injury) to determine root cause and prevent recurrence • opportunities for coaching, action planning and corrective action
Hazardous Substance Control	11/01/10	Provides: <ul style="list-style-type: none"> • guidelines for the purchase, storage, distribution, disposal and reporting of hazardous substances used at CAP

FINANCE & ACCOUNTING

Synopsis

Accounting & Financial Practices

It is the practice of CAP to:

- maintain an accounting and financial reporting system that conforms to GAAP adopted by the GASB
- perform an independent audit of CAP's financial statements annually and have the statements completed within 120 days of the end of the fiscal year to ensure compliance with CAP's bond indentures (if applicable)
- establish and maintain internal controls that promote the reliability, integrity, and timeliness of financial and operational information

Basis of Accounting

CAP's activities are accounted for under the accrual method and in compliance with GASB Statement No. 34. Under Enterprise Fund accounting, CAP is a single accounting entity for financial reporting purposes. However, within this single accounting entity, CAP has identified a number of financial activities that it wishes to track separately, referred to as "funds." These funds are as follows: General Fund, CAGR Account, Supplemental Water Account and Captive Insurance Fund. The use of the term "fund" for these separate activities does not have any particular accounting significance. CAP is not required to, and does not, publish separate financial statements for any of the individual funds, except for the consolidated statements and CAP's captive insurance company.

Basis of Budgeting

The annual budget includes a series of financial statements that follow the accrual basis of accounting. Revenues are recognized in the period they are earned and expenses are recognized in the period they are incurred. Because the annual budget, audited financial statements, and quarterly budget reviews follow a consistent format, the readers are able to compare and understand the information contained in each document.

Budget Approval

CAP is not required to have a legally adopted budget; therefore, funds are not subject to appropriation. However, it is the practice of CAP to develop a budget that is reviewed and approved by the Board of Directors. CAP is not required to prepare a balanced budget where total estimated revenues equal total estimated expenditures.

Synopsis

Capital Assets	CAP will maintain its infrastructure and equipment at a level sufficient to divert CAP's full entitlement of Colorado River water, maintain water deliveries, protect CAP's capital investment and minimize future maintenance and replacement costs.
Capitalization Policy	<p>The following criteria is used to determine whether the cost of an asset is capitalized or expensed:</p> <ul style="list-style-type: none">• Non-capitalized Expenditures:<ul style="list-style-type: none">◊ In general, all expenditures which do not add significantly to the value or utility of an asset should be expensed in the current period and included in the Operating Budget; such expenditures include, but are not limited to, normal repairs, spare parts, routine maintenance, relocation and storage• Capitalized Expenditures:<ul style="list-style-type: none">◊ Movable property: should be capitalized if the property has: (a) a useful life of 3 years or more; and (b) an acquisition cost of \$5,000 or more◊ Land and Improvements: land acquisition shall be capitalized; land improvements shall be capitalized and depreciated; long-term leases, easements, or rights-of-way shall be capitalized and depreciated over the term of the transaction◊ Buildings and other structures: new structures with a cost of \$5,000 or more shall be capitalized◊ Installed plant machinery & equipment: installed units of machinery and equipment with a cost of \$5,000 or more shall be capitalized◊ Costs subsequent to acquisition:<ul style="list-style-type: none">◆ additions costing \$5,000 or more that extend, enlarge or expand an existing asset shall be capitalized◆ replacements and betterments that are not recurring in nature, represent relatively large expenditures, and increase the use value and extend the useful life of the asset, shall be capitalized
Investment Management	ARS Title 48, Chapter 22, Article 1.0 governs all funds received on behalf of CAP. ARS 48-3712(A)(5) specifies that excess funds not immediately required must be invested with the Arizona State Treasurer pursuant to ARS 35-313. A listing of State Treasurer investments permitted by law is detailed under ARS 35-313.
Cash Management	The objectives of CAP's cash management guidelines are to ensure the: (a) safety of principal by maximizing investment income while maintaining the preservation of capital; (b) cash and investment fund balances will remain sufficiently liquid to enable CAP to meet all operating requirements and expenses that might be reasonably anticipated; and (c) investment pools and fund balances shall be managed with the objective of attaining, at a minimum, a market-average rate of return, taking into account the constraints of state-mandated statutes and cash flow needs.

Synopsis

Debt Policy

Debt Limitations

CAP's debt, aside from the debt to the federal government for the repayment of the reimbursable costs of CAP, is limited to \$250 million for revenue bonds and is not limited for general obligation bonds. General obligation bonds are subject to voter approval.

The general policy of CAP is to fund Operations, Maintenance, and Replacement (OM&R) and the Capital Improvement Program (CIP) on a "pay as you go" basis from water delivery and property tax revenues each year. Extraordinary expenditures will be funded from reserves. If reserves are not sufficient, CAP may issue either revenue bonds or general obligation bonds, subject to applicable law.

Derivatives

CAP will not invest in derivatives without specific approval from the Board.

Debt Structuring

CAP will attempt to match the term of issued debt with the useful lives of assets funded by such debt, without limitation.

CAP may issue fixed or variable rate debt, as conditions dictate. CAP may issue debt with premiums or discounts, as conditions dictate. CAP may issue debt with equal payment provisions, equal principal amortization, deferred principal payments, or any other structure that meets the needs of CAP, without limitation.

Debt Issuance Practices

CAP will issue new or refunding debt only under the advice of a qualified financial advisor and underwriter, who will be selected according to CAP's purchasing policy. Pricing will be negotiated between CAP and the underwriter with input from the financial advisor. CAP will seek credit ratings from at least two nationally recognized rating agencies. The Board will determine the minimum acceptable credit rating for any issuance of debt. The Board will determine the refunding provisions for any issuance of debt.

Debt Management Practices

Bond proceeds will be invested according to applicable Arizona law. Guaranteed Investment Contracts will be utilized as available and applicable. Arbitrage rebate calculations will be completed annually and payments submitted to the federal government as required. Appropriate market disclosures will be filed. Investor communications will be provided according to applicable debt covenants.

Financial Reporting

It is the practice of CAP to:

- prepare and issue financial reports on a monthly, quarterly and annual basis; these reports are prepared at a hierarchical level, from the lowest (cost center) to the highest (consolidated financial statements)
 - quarterly require cost center managers to prepare a variance analysis that explains significant variances to budget for year-to-date actual expenditures and projected full-year expenditures
 - quarterly require Finance to prepare and present a Quarterly Financial Review for the SMT and the Finance and Audit Committee of the Board
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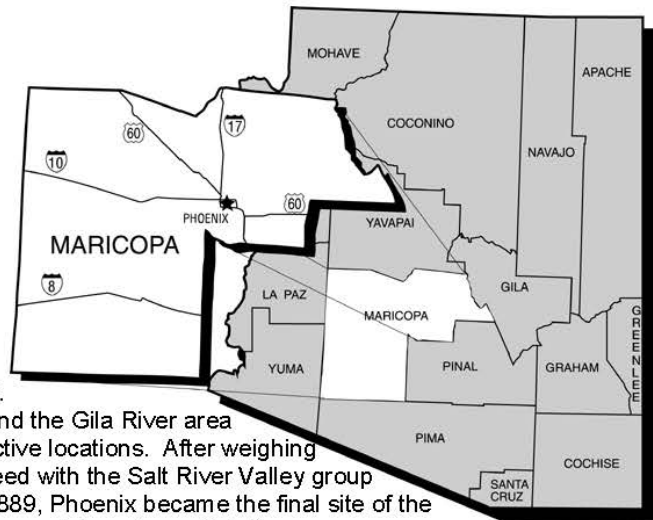
Profile:

Maricopa County, Arizona

Maricopa County, named after the Maricopa Tribe, was created from portions of Pima and Yavapai counties in 1871. It was the fifth county formed in Arizona, and eventually portions were used to create Gila and Pinal counties.

In the late 19th century, citizens living far south of Prescott, the territorial capital and site of the Territorial Legislature, petitioned for a more local seat of government.

Residents of the Salt River Valley and the Gila River area wanted a new county in their respective locations. After weighing both proposals, the Legislature agreed with the Salt River Valley group and created Maricopa County. In 1889, Phoenix became the final site of the territorial capital and retains its status as Arizona's capital city.



More than half of the state's population resides in Maricopa County, which includes the cities of Phoenix, Mesa, Glendale, Scottsdale, Tempe, Chandler, Peoria, and Gilbert. This metropolitan area is the state's major center of political and economic activity. In addition to housing the state capital, the county is home to a growing high-tech industry; manufacturing and agricultural industries; over 50 institutions of higher learning, including Arizona State University and the Thunderbird School of Global Management; various cultural attractions; major league professional basketball (Phoenix Suns and Phoenix Mercury), football (Arizona Cardinals), hockey (Arizona Coyotes) and baseball's 2001 World Champion Arizona Diamondbacks; and Phoenix Sky Harbor International Airport, the fifteenth busiest in the world with over 1,200 daily flights.

Today Maricopa County measures 9,222 square miles, 98 square miles of which is water. Twenty-nine percent of this area is owned individually or by corporation, and 28 percent is owned by the U.S. Bureau of Land Management. The U.S. Forest Service and the State of Arizona each control 11 percent of the county; an additional 16 percent is owned publicly. Almost 5 percent is Indian reservation land. Parts of 11 jurisdictions in western Maricopa County are designated Enterprise Zones as well as central and southern areas in the City of Phoenix. The cities of Tempe, Chandler and Mesa each have an Enterprise Zone in the central part of the city.



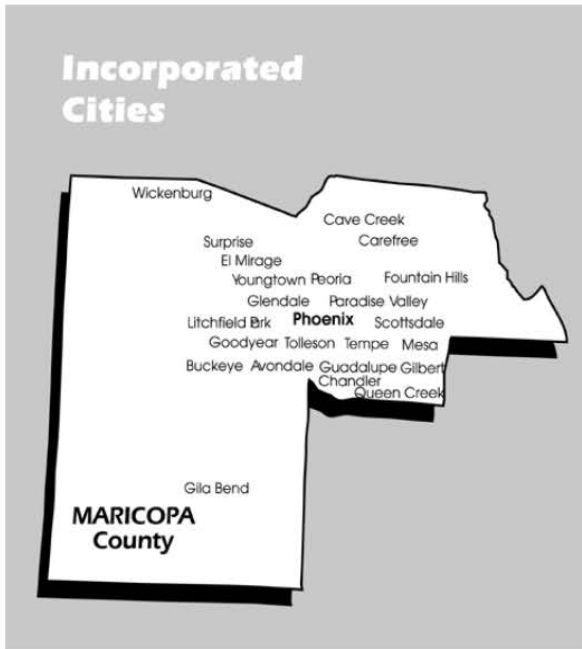
333 N. Central Avenue, Suite 1900; Phoenix, Arizona 85004
Phone: (602) 845-1200; Website: www.azcommerce.com/

Note: This information is as current as the date of this publication and was taken from reliable sources; however, we do not guarantee its completeness nor does the Arizona Commerce Authority endorse any particular individual. This information is provided as a service only.

Maricopa County At-A-Glance

County Seat:	Phoenix
2012 Population:	3,884,705
2012 Labor Force:	1,896,987
Unemployment Rate:	7.1%
Major Industries:	Services; Retail Trade; Manufacturing, Information
Best Paying Industries:	Mining; Finance, Insurance & Real Estate; Public Administration

Sources: Population Estimates July 2012, Arizona Department of Administration; Labor Force: Local Area Unemployment Statistics 2012, Arizona Department of Administration.



Population

	1990	2000	2012
Arizona	3,665,228	5,130,632	6,498,569
Maricopa County	2,122,101	3,072,149	3,884,705

Major Cities/Communities

	1990	2000	2012
Avondale	16,169	35,883	76,870
Buckeye	4,436	6,537	54,102
Carefree	1,666	2,927	3,388
Cave Creek	2,925	3,728	5,110
Chandler	90,533	176,581	241,214
El Mirage	5,001	7,609	32,067
Fountain Hills	10,030	20,235	22,695
Gila Bend	1,747	1,980	1,932
Gilbert	29,188	109,697	219,666
Glendale	148,134	218,812	229,008
Goodyear	6,258	18,911	69,018
Guadalupe	5,458	5,228	5,943
Litchfield Park	3,303	3,810	5,621
Mesa	288,091	396,375	444,856
Paradise Valley	11,773	13,644	13,106
Peoria	50,168	108,364	157,653
Phoenix	983,403	1,321,045	1,464,727
Queen Creek [1]	2,667	4,316	27,249
Scottsdale	130,069	202,705	219,713
Sun City	38,126	38,309	N/A
Sun City West	15,997	26,344	N/A
Surprise	7,122	30,848	119,530
Tempe	141,865	158,625	164,659
Tolleson	4,434	4,974	6,579
Wickenburg	4,515	5,082	6,458
Youngtown	2,542	3,010	6,188

Source: U.S. Census Bureau, Arizona Department of Administration, July 2012 Population Estimates; does not include unincorporated areas (total population: 287,057)

N/A - Not available

[1] Combined Maricopa and Pinal portions

Age Distribution

	% of total
0-14	22.1%
15-24	14.3%
25-44	27.9%
45-64	23.8%
65+	12.1%

Source: U.S. Census Bureau, American Community Survey 5-Year (2007-2011)

Population Composition*

Race	% of total
White	73.0%
African American	5.0%
Native American	2.1%
Asian or Pacific Islands	3.5%
Other	16.4%
Hispanic Heritage*	29.6%

Source: U.S. Census Bureau, American Community Survey 5-Year (2007-2011)

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Labor Force

2012 Civilian Labor Force

	Labor Force	Unemployment Rate
Arizona	3,030,238	8.3%
Maricopa County	1,896,987	7.1%
<i>Major Cities/Communities</i>		
Avondale	36,590	8.5%
Buckeye	21,344	9.4%
Carefree	1,614	2.5%
Cave Creek	2,460	3.3%
Chandler	132,522	5.9%
El Mirage	14,328	8.6%
Fountain Hills	11,682	5.6%
Gila Bend	1,026	11.9%
Gilbert	114,341	5.3%
Glendale	116,644	7.5%
Goodyear	28,901	8.1%
Guadalupe	2,724	12.7%
Litchfield Park	2,162	6.6%
Mesa	222,505	7.0%
Paradise Valley	7,354	4.3%
Peoria	76,347	6.7%
Phoenix	727,540	7.6%
Queen Creek	13,174	5.7%
Scottsdale	119,458	5.7%
Sun City CDP	7,262	8.4%
Sun City West CDP	3,015	8.8%
Surprise	43,751	8.5%
Tempe	99,227	6.2%
Tolleson	2,879	7.1%
Wickenburg	2,510	3.3%
Youngtown	1,183	12.1%

Source: Arizona Department of Administration, Local Area Unemployment Statistics (LAUS) 2012

2012 Employment by Sector

	In Thousands
Mining & Construction	91.8
Education & Health Services	255.1
Financial Activities	147.6
Government	230.9
Information	29.5
Leisure & Hospitality	183.0
Manufacturing	117.0
Professional & Business Services	283.7
Trade, Transportation & Utilities	356.8

Source: U.S. Department of Labor, Bureau of Labor Statistics, 2012

2012 Total All Occupations

Employment	1,674,540
Hourly Compensation	
Median Wage	\$16.87
Average Wage	\$21.80
Entry Wage	\$8.76
Experienced	\$26.61

Source: Arizona Department of Administration, May 2012 OES

2012 Employment by Occupation – Average Wages

	Employment	Avg. Wages
Office & Administrative	307,200	\$16.65
Sales & Related	201,420	\$18.10
Food Preparation & Serving	156,240	\$10.56
Construction & Extraction	72,910	\$19.28
Transportation & Material Moving	106,100	\$17.41
Production	78,900	\$15.97
Education, Training & Library	95,100	\$22.12
Management	100,780	\$48.06

Source: Arizona Department of Administration, May 2012 OES; Mean wage per hour

Major Employers

Employer	Employment Type
Albertsons-Osco	Supermarket/Drugstore
American Express	Travel-Related & Financial Services
U.S. Airways	Major Airline
Apollo Group Inc.	Education
Arizona State University	University
Bank of America	Financial Services
Banner Health	Health-Care Services
The Boeing Co.	Aircraft Manufacturing
City of Phoenix	Government
Freeport McMoRan	Mining, Copper & Gold
Honeywell	Aviation & Control Technology
Intel Corp.	Semiconductor Manufacturing
JP Morgan Chase	Financial Services
Luke Air Force Base	F35 Pilot/Crew Training/Military
Maricopa County	Government
Mesa Public Schools	Education
Pinnacle West Capital Corp.	Utility Holding company
Qwest Communications Inc.	Telecommunications
Safeway	Supermarket Retailing
State of Arizona	Government
Target Corporation	Retail
U.S. Postal Service	Mail Delivery
Walgreens Co.	Chain Drug Store
Wells Fargo Co.	Financial Services



Electric Service

Major Supplier:	
APS	(602) 250-1000
Salt River Project	(602) 236-8888

Natural Gas Service

Major Supplier:	
Southwest Gas Corporation	(877) 860-6020

Water and Sewer

For information, see specific community profile or contact the local chamber of commerce directly.

Telephone

Major Suppliers:	
Cox Communications	(623) 594-1000
Century Link (residential)	(800) 224-1111
(business)	(800) 603-6000

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Medical

Major Hospitals

Arizona Heart Institute, Phoenix	(602) 266-2200
Arrowhead Community Hospital and Medical Center, Glendale	(623) 561-1000
Barrow Neurological Institute	(602) 406-3000
Boswell Memorial Hospital, Sun City	(623) 977-7211
Carl Hayden VA Medical Center, Phoenix	(602) 277-5551
Chandler Regional Hospital, Chandler	(480) 963-4561
Desert Samaritan, Mesa	(480) 835-3000
Good Samaritan Regional Medical Center Phoenix	(602) 239-2000
John C. Lincoln—Deer Valley, Phoenix	(602) 879-6100
John C. Lincoln, Phoenix	(602) 943-2381
Mayo Clinic, Scottsdale	(480) 301-8000
Mesa General Hospital	(480) 969-9111
Banner Health Hospital, Mesa	(480) 834-1211
Paradise Valley Hospital, Phoenix	(602) 923-5000
Phoenix Baptist Hospital, Phoenix	(602) 249-0212
Phoenix Children's Hospital, Phoenix	(602) 933-1000
Phoenix Memorial Hospital, Phoenix	(602) 258-5111
St. Joseph's Hospital, Phoenix	(602) 406-3000
Scottsdale Health Care, Osborn	(480) 882-4000
Tempe St. Luke's, Tempe	(877) 351-9355
Thunderbird Samaritan Medical Center Glendale	(602) 588-5555
Valley Lutheran Hospital, Mesa	(480) 981-2000
Webb Memorial Hospital, Sun City West	(623) 214-4000
Wickenburg Community Hospital, Wickenburg	(928) 684-5421



Education

Major Colleges/Universities

Thunderbird School of Global Management, Glendale	(602) 978-7000
Arizona State University, Tempe	(480) 965-9011
Arizona State University East, Mesa	(480) 727-1585
Arizona State University West, Phoenix	(602) 543-5500
Chandler-Gilbert Community College, Chandler	(480) 732-7000
Devry Institute of Technology	(602) 749-4500
Estrella Mountain Community College, Avondale	(623) 935-8000
Frank Lloyd Wright School of Architecture, Scottsdale	(480) 627-5345
Gateway Community College, Phoenix	(602) 286-8000
Glendale Community College, Glendale	(623) 286-8000
Grand Canyon University, Phoenix	(602) 639-7500
ITT Technical Institute, Phoenix	(602) 474-7900
Mesa Community College, Mesa	(480) 461-7000
Midwestern University, Glendale	(623) 537-6000
Ottawa University, Phoenix	(602) 392-0002
Paradise Valley Community College, Phoenix	(602) 787-6500
Phoenix College	(602) 285-7500
Rio Salado Community College, Tempe	(480) 517-8000
Scottsdale Community College, Scottsdale	(480) 423-6000
South Mountain Community College, Phoenix	(602) 243-8000
University of Phoenix, Phoenix	(480) 832-4867
Western International University, Phoenix	(602) 948-4636



Distance to Major Cities



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Highways

Interstate 8, I-10, I-17, U.S. 60, state Highway 51, state Highway 74, state Highway 85, state Highway 87, state Highway 88, state Highway 101, state Highway 143, state Highway 153, state Highway 202, state Highway 238, state Highway 303, state Highway 347

Bus Lines

Greyhound Bus Lines, Phoenix Transit, Valley Metro, Tempe Orbit

Rail Service

AMTRAK	(800) 872-7245
Arizona & California Rail Co.	(877) 361-6487
Burlington Northern Santa Fe Railway	(800) 795-2673
Union Pacific Railroad	(888) 870-8777

Trucking Service

Arkansas Best Freight Systems (ABF) Freight System Inc., Duncan & Sons Lines Inc., Englund Equipment Co., Hour Express Inc., Knight Transportation, MST Trucking Inc., NW Transport Services, Inc., Randy Bridgewater Inc., Rick's Pumping Service, Roadway Express, Southwest Express, Southwest Transportation Inc., Southwest Trucking & Grading, Sun Valley Express, Swift Transportation Co., Viking Freight Inc., West End Trucking

Air Service

Major Airport

Airport Name: Buckeye Municipal (623) 349-6650
Functional Class: Community Service
Elevation: 1,024'
Ownership: Public
Use: Military/Public
Nav-aids: None
Runway: 17/35 Length: 4,300' Width: 75'
Surface: Asphalt

Airport Name: Chandler Municipal (480) 782-3540
Functional Class: Business Service
Elevation: 1,236'
Ownership: City of Chandler
Use: Public/Corporate
Nav-aids: Non-Directional Beacon
Runway: 4L/22R Length: 4,395' Width: 75'
4R/22L Length: 4,850' Width: 75'
Surface: Asphalt

Airport Name: Gila Bend Municipal (928) 683-2733
Functional Class: Basic Service
Elevation: 778'
Ownership: Public
Use: Public
Nav-aids: VORTAC
Runway: 04/22 Length: 5,200' Width: 75'
Surface: Asphalt

Airport Name: Glendale Municipal (623) 930-2188
Functional Class: Basic Service
Elevation: 1,066'
Use: Public
Nav-aids: None
Runway: 01/19 Length: 5,350' Width: 75'
Surface: Asphalt

Airport Name: Mesa-Falcon Field (480) 644-2450
Functional Class: Business Service
Elevation: 1,391'
Use: Public
Nav-aids: NDB/GPS
Runway: 4R/22L Length: 3,800' Width: 75'
Surface: Asphalt
Runway: 4L/22L Length: 5,100'
Surface: Asphalt

Airport Name: Phoenix-Deer Valley Municipal (623) 869-0975
Functional Class: Business Service
Elevation: 1,476'
Use: Public
Nav-aids: None
Runway: 7L/25R Length: 4,500' Width: 75'
Surface: Asphalt
Runway: 7R/25L Length: 8,200' Width: 100'
Surface: Asphalt

Airport Name: Phoenix-Goodyear (623) 932-1200
Functional Class: Business Service
Elevation: 968'
Use: Public
Nav-aids: None
Runway: 03/21 Length: 8,500' Width: 150'
Surface: Asphalt, concrete

Airport Name: Phoenix-Sky Harbor Int'l (602) 273-3300
Functional Class: Commercial Service
Elevation: 1,132'
Use: Public/Commercial/Military
Nav-aids: ILS
Runway: 8L/26R Length: 11,001' Width: 150'
Surface: Asphalt
Runway: 8R/26L Length: 10,300' Width: 150'
Surface: Asphalt

Airport Name: Pleasant Valley (602) 439-3621
Location: Peoria
Functional Class: Basic Service
Elevation: 1,580'
Use: Public
Nav-aids: None
Runway: 05/23 Length: 4,050'
Surface: Dirt
Runway: 14/32 Length: 2,150' Width: 80'
Surface: Dirt

Airport Name: Scottsdale Airport (480) 312-2321
Functional Class: Commercial Service
Elevation: 1,509'
Ownership: Public
Use: Public/Commercial
Nav-aids: NDB
Runway: 03/21 Length: 8,251' Width: 75'
Surface: Asphalt

Airport Name: Steller Airpark (480) 295-2683
Functional Class: Basic Service
Elevation: 1,175'
Ownership: Private
Use: Public
Nav-aids: None
Runway: 17/35 Length: 4,005' Width: 55'
Surface: Asphalt

Airport Name: Wickenburg (928) 684-0754
Functional Class: Community Service
Elevation: 2,423'
Ownership: Public
Use: Public
Nav-aids: None
Runway: 05/23 Length: 5,050' Width: 60'
Surface: Asphalt

Airport Name: Mesa/ Gateway (480) 988-7600
Location: Mesa
Functional Class: Reliever
Elevation: 1,380'
Ownership: Public
Use: Business/Commercial/Military/Cargo/General Purpose Foreign Trade Zone #221
Nav-aids: VORTAC 113.3 CH 80; ILS RY 30C 110.30
Runway: 12R-30L Length: 10,400' Width: 150'
Runway: 12C-30C Length: 10,200' Width: 150'
Runway: 12L-30R Length: 9,300' Width: 150'
Surface: Concrete-Asphalt; Concrete

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Industrial Development Authorities

Industrial Development Authority of Maricopa County
301 West Jefferson Street, 10th Floor
Phoenix, Arizona 85003
Phone: (602) 506-1888
Fax: (602) 257-9582
Website: <http://www.mcida.com/>

Industrial Development Authority of Avondale
c/o Mr. Kevin Artz
P.O. Box 3
Avondale, Arizona, 85323
Website: <http://www.avondale.org/index.aspx?NID=2354>

Industrial Development Authority of the City of Chandler
Dawn Lang
P.O. Box 4008, MS 416
Chandler, AZ 85244
Phone: 480-782-2255
Email: dawn.lang@chandleraz.gov
Website: www.chandleraz.gov/default.aspx?pageid=633

Industrial Development Authority of Mesa
Chris Schneck
P.O. Box 1466
Mesa, AZ 85211
(480)644-2011
Website: www.mesaaz.gov/government/advisory/IDA.aspx

Phoenix Industrial Development Authority
c/o Lydia Lee
251 West Washington Street, 9th Floor
Phoenix, AZ 85003
Phone: (602) 534-9655
Email: llee@phoenixida.com
Website: <http://www.phoenixida.com/>

Industrial Development Authority of the City of Scottsdale
c/o Marc Grayson
3939 N. Drinkwater Blvd
Scottsdale, AZ 85251
Phone: (480) 312-3111
Fax: (480) 994-2672
Website: <http://www.scottsdaleaz.gov/ida>



Taxes

Corporate income tax rate in the State of Arizona is 6.968 percent effective for taxable years beginning from and after December 31, 2000. In 2011, Arizona House Bill 2001, also known as the "Jobs Bill" passed and was signed into legislation by Governor Jan Brewer. As a result of this bill, Arizona's corporate income tax rate will be reduced from its current rate to 4.9% by 2017.

Source: Arizona Department of Revenue

Property Tax

Community	Elem/High School	City/Fire	Countywide	Total
Avondale**	9.69	1.28	3.35	14.32
Chandler*	7.96	1.30	3.35	12.61
Fountain Hills*	6.29	0.33	3.35	9.97
Gila Bend	5.32	1.64	3.35	10.31
Gilbert*	8.97	1.25	3.35	13.57
Glendale	10.75	1.72	3.35	15.82
Goodyear*	7.17	2.08	3.35	12.60
Mesa*	7.55	0.00	3.35	10.90
Paradise Valley	9.98	0.00	3.35	13.33
Peoria**	9.49	1.63	3.35	14.47
Phoenix	11.76	1.82	3.35	16.93
Scottsdale*	5.44	1.19	3.35	9.98
Surprise	7.78	0.85	3.35	11.98
Tempe*	7.73	1.82	3.35	12.90
Wickenburg	6.00	0.71	3.35	10.06

Source: Arizona Department of Revenue 2013 (Rate is per \$100 of assessed value) *School district participates in the East Valley Institute of Technology (EVIT). **School district participates in the Western Maricopa Education Center (West-MEC).

Sales Tax

The state imposes a 5.6% percent transaction privilege (sales) tax on most business activities, while Maricopa County has a .7% sales tax. Additional sales tax rates by city are as follows: Chandler & Gilbert 1.5%, Mesa 1.75%, Peoria, 1.8%, Paradise Valley 2.5%, Scottsdale 1.65%, Wickenburg 2.2%, Glendale 2.9%, Phoenix 2.0%, Tempe, 2.0%, Buckeye 3.0%, Goodyear 2.5%, Litchfield Park 2.8%, Queen Creek 2.25%, Tolleson 2.5%, Youngtown 3.0%, Surprise 2.2%, Avondale 2.5%, & Cave Creek 3.0%, Fountain Hills 2.6%, Carefree, El Mirage, Gila Bend 3.0%, & Guadalupe 4.0%. There are additional hotel/motel taxes in the following cities: Litchfield Park, Queen Creek & Surprise 1%; Avondale, El Mirage, Gila Bend, Tempe, Tolleson & Youngtown, 2%; Goodyear & Mesa, 2.5%; Chandler, 2.9%; Carefree, Fountain Hills, Gilbert, Glendale, Paradise Valley, Phoenix & Scottsdale, 3%; Peoria, 3.5%; Cave Creek & Guadalupe 4%.

Sources: Arizona Department of Revenue (July 2013)

Payroll Tax

Payroll taxes in Arizona are computed based on federal filing by employers and employees. Generally, withholding for state payroll taxes is between 10 and 32 percent of federal withholding based on employees' income.

Source: Arizona Department of Revenue

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For Further Information

City of Avondale Economic Development
11465 Civic Center Dr
Avondale, AZ 85323
Phone: (623) 333-1400
Website: <http://www.avondale.org/>

Buckeye Valley Chamber of Commerce
508 E Monroe Ave
Buckeye, AZ 85326
Phone: (623) 386-2727
Website: <http://www.buckeyevalleychamber.org/>

Carefree/Cave Creek Chamber of Commerce
748 Easy St., Suite 2 & 4
Carefree, AZ 85377
Phone: (480) 488-3381
Email: chamber@carefreecavecreek.org
Website: <http://carefreecavecreek.org/>

Chandler Chamber of Commerce
25 S. Arizona Place
Chandler, AZ 85225
Phone: (480) 963-4571
Website: <http://www.chandlerchamber.com/>

City of Chandler Economic Development Division
215 E. Buffalo St.
Chandler, AZ 85225
Phone: (480) 782-3030
Website: <http://www.chandleraz.gov/>

Fountain Hills Chamber of Commerce
16837 E. Palisades Ave.
Fountain Hills, AZ 85268
Phone: (480) 837-1654
Email: frank@fhchamberofcommerce.org
Website: <http://www.fountainhillschamber.com>

Gila Bend Chamber of Commerce
P.O. Box CC
Gila Bend, AZ 85337
Phone: (928) 420-1964
E-mail: info@gilabendazchamber.com
Website: <http://www.gilabendazchamber.com>

Gilbert Chamber of Commerce
119 N Gilbert Rd #101
Gilbert, AZ 85234
Phone: (480) 892-0056
E-mail: info@gilbertchamber.com
Website: <http://www.gilbertaz.gov>

Town of Gilbert Economic Development
90 E. Civic Center Drive
Gilbert, AZ 85296
Phone: (480) 503-6010
E-mail: busdev@gilbertaz.gov
Website: <http://www.gilbertaz.gov/econdev/>

City of Glendale, Economic Development
5850 W. Glendale Avenue, Suite 217
Glendale, Arizona 85301
Phone - (623) 930-2983
E-mail: Business@glendaleaz.com
Website: <http://www.glendaleaz.com>

Town of Guadalupe, Economic Development
9241 S. Avenida Del Yaqui
Guadalupe, AZ 85283
Phone: (480) 505-5399
E-mail: gturrubiarres@guadalupeaz.org

City of Mesa, Economic Development
20 E. Main St., Ste 200
Mesa, AZ 85211
Phone: (480) 644-2398
E-mail: econdev.info@mesaaz.gov
Website: <http://www.mesaaz.gov/economic/>

Mesa Chamber of Commerce
120 North Center Street
Mesa, AZ 85201
Phone: (480) 969-1307
E-mail: info@mesachamber.org
Website: <http://www.mesachamberofcommerce.org/>

Surprise Regional Chamber of Commerce
(El Mirage, Sun City, Sun City West, Surprise, Youngtown)
16126 N. Civic Center Plaza
Surprise, AZ 85374
Phone: (623) 583-0692
Website: <http://www.surpriseregionalchamber.com/>

North Phoenix Chamber of Commerce
(Paradise Valley)
14001 N. 7th Street, Suite 106
Phoenix, AZ 85022
Phone: (602) 482-3344
Email: info@northphoenixchamber.com
Website: <http://www.northphoenixchamber.com/>

Peoria Chamber of Commerce
16165 N. 83rd Ave., Suite 101
Peoria, AZ 85382
Phone: (623) 979-3601
Website: <http://www.peoriachamber.com/>

Peoria Economic Development Group
9875 N. 85th Avenue
Peoria, Arizona 85345
Phone: 623-773-7735
E-mail: peoriaED@peoriaaz.gov
Website: <http://www.peoriaed.com/>

City of Phoenix, Community and Economic Development
200 W. Washington St., 20th Floor
Phoenix, AZ 85003
Phone: (602) 495-5252
E-mail: phx.business@phoenix.gov
Website: <http://phoenix.gov/econdev/index.html>

Greater Phoenix Economic Council
2 N. Central Ave., Ste 2500
Phoenix, AZ 85004
Phone: (602) 256-7700
Website: <http://www.gpec.org/>

Greater Phoenix Chamber of Commerce
201 N. Central Ave., Ste 2700
Phoenix, AZ 85004
Phone: (602) 495-2195
Website: <http://www.phoenixchamber.com/>

Town of Queen Creek
22350 S. Ellsworth
Queen Creek, AZ 85242
Phone: (480) 358-3000
Website: <http://www.queencreek.org/>

City of Scottsdale, Economic Development Office
7447 E. Indian School Rd., Ste 200
Scottsdale, AZ 85251
Phone: (480) 312-7801
E-mail: Business@Scottsdaleaz.gov
Website: <http://www.scottsdaleaz.gov/EV/EconomicDev>

Scottsdale Area Chamber of Commerce-Air Park Center
8585 E. Hartford Dr., Suite 400
Scottsdale, AZ 85255-5436
Phone: (480) 945-8481
Website: <http://www.scottsdalechamber.com/>

Southwest Valley Chamber of Commerce
(Avondale, Goodyear, Litchfield Park, Tolleson)
289 N. Litchfield Rd.
Goodyear, AZ 85338
Email: info@southwestvalleychamber.org
Phone: (623) 932-2260
Website: <http://www.southwestvalleychamber.org/>

Tempe Chamber of Commerce
909 E Apache Blvd
Tempe, AZ 85285-8500
Phone: (480) 967-7891
Email: info@tempechamber.org
Website: <http://tempechamber.org/>

City of Tempe, Economic Development Office
31 East 5th Street
Tempe, AZ 85281
Phone: (480) 350-8028
E-mail: Shannon.selby@tempe.gov
Website: <http://www.tempe.gov/index.aspx?page=989>

Wickenburg Chamber of Commerce
216 N. Frontier St.
Wickenburg, AZ 85390
Phone: (928) 684-5479
Email: info@wickenburgchamber.com
Website: <http://www.wickenburgchamber.com/>

County profiles are produced by the
Arizona Commerce Authority



333 N. Central Ave. Suite 1900
Phoenix, Arizona, 85004
Phone: (602) 845-1200
Website: www.azcommerce.com

Profile:

Pima County, Arizona

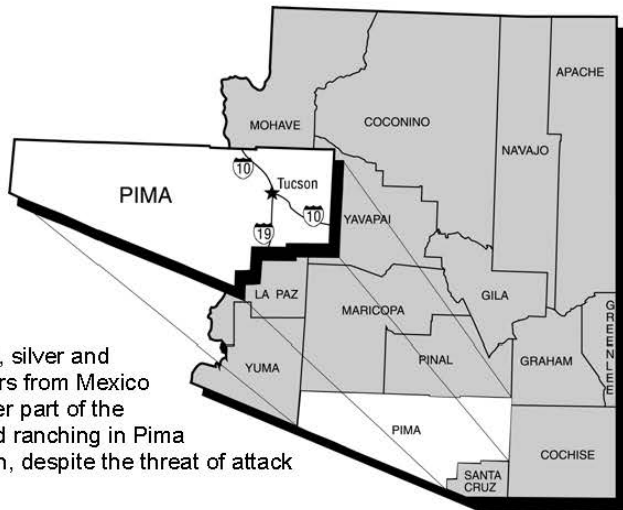
Pima County, the second largest of the four original counties of Arizona, was created in 1864 and included approximately all of southern Arizona acquired from Mexico by the Gadsden Purchase. Settlement of the region goes back to the arrival in the 1690s of the Spanish who encountered Native Americans already living there.

About the middle of the 18th century, silver and gold were discovered and prospectors from Mexico entered the area in droves. The latter part of the century saw expansion of mining and ranching in Pima County and an increase in population, despite the threat of attack from roaming bands of Apaches.

The Royal Presidio de San Agustín del Tucson was completed by 1781, and it remained the northern-most outpost of Mexico until the arrival of American soldiers in 1856. From a population of 395 in 1820, Tucson has grown to be the second largest city in Arizona. It has always served as the Pima County seat and was the Arizona Territorial capital from 1867 to 1877. Tucson is home to the University of Arizona and offers many historical and cultural attractions.

Just south of Tucson is the Mission of San Xavier del Bac, founded in 1697 by Father Kino and still in use today. Within Pima County are two cactus forests – Saguaro National Park to the northeast and Organ Pipe Cactus National Monument in the southwestern portion.

Although greatly reduced from its original size, Pima County still covers 9,184 square miles. It ranges in elevation from 1,200 feet to the 9,185-foot peak of Mount Lemmon. The San Xavier, Pascua Yaqui and Tohono O'odham reservations together account for ownership of 42.1 percent of land located in Pima County. The state of Arizona owns 14.9 percent; the U.S. Forest Service and Bureau of Land Management, 12.1 percent; other public lands, 17.1 percent; and individual or corporate ownership, 13.8 percent. Pima County has an Enterprise Zone that includes all of South Tucson, central Tucson, portions of Marana, Sahuarita, parts of Pima County and parts of the Tohono O'Odham and Pasqua Yaqui Indian Reservations.



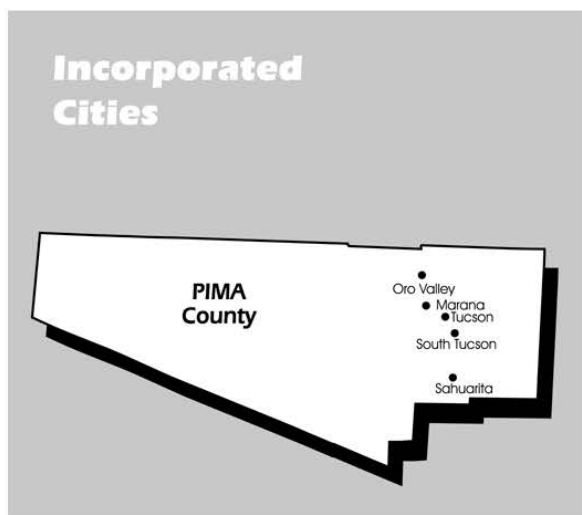
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www.azcommerce.com

Note: This information is as current as the date of this publication and was taken from reliable sources; however, we do not guarantee its completeness nor does the Arizona Commerce Authority endorse any particular individual. This information is provided as a service only.

Pima County At-a-Glance

County Seat:	Tucson
2012 Population:	990,380
2012 Labor Force:	462,748
Unemployment Rate:	7.3%
Major Industries:	Aerospace; Bioindustry; Environmental Technology, Manufacturing, Optics, Plastics & Advanced Composite Materials, Software, Teleservices

Source: Population Estimates July 2012, Population Statistics Unit, Arizona Department of Administration; January 2013 Local Area Unemployment Statistics, Arizona Department of Administration.



Population

	1990	2000	2012
Arizona	3,665,228	5,130,632	6,498,569
Pima County	666,880	843,746	990,380
Major Cities/Communities			
Ajo	2,919	3,705	3,304
Catalina	4,864	7,025	7,569
Green Valley	20,644	17,283	21,391
Marana	2,187	13,556	36,957
Oro Valley	6,670	29,700	41,275
Pasqua Yaqui Reservation	2,412	3,315	N/A
Sahuarita	1,629	3,242	26,121
Sells/Tohono O'odham Reservation	2,750	2,799	N/A
South Tucson	5,093	5,490	5,675
Tucson	405,390	486,699	523,471

Source: U.S. Census Bureau, Arizona Department of Administration, July 2012 Population Estimates
-N/A - Not available

Age Distribution

	% of total
0-14	18.8%
15-24	14.8%
25-44	24.7%
45-64	25.9%
65+	15.9%

Source: U.S. Census Bureau, American Community Survey 5-Year (2007-2011)

Population Composition*

Race	% of total
White	82.4%
African American	4.5%
Native American	4.0%
Asian or Pacific Islander	3.6%
Other	8.3%

Hispanic Heritage* 35.1%

Source: U.S. Census Bureau, American Community Survey 5-Year (2007-2011)

* Persons of Hispanic heritage may be of any race

Labor Force

2012 Civilian Labor Force

	Labor Force	Unemployment Rate
Arizona	3,030,238	8.3%
Pima County	462,748	7.3%
Major Cities/Communities		
Ajo	1,317	13.1%
Catalina	3,979	4.35%
Green Valley	2,980	5.2%
Marana	16,492	6.1%
Oro Valley	18,257	6.0%
Pasqua Yaqui Indian Reservation	N/A	N/A
Sells District	1,162	35.7%
South Tucson	2,445	19.8%
Tucson	250,410	8.0%

Source: Arizona Department of Administration, Local Area Unemployment Statistics (LAUS) Database. N/A - Not Available

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2011 Employment by Sector

	in thousands
Construction	30.2
Manufacturing	31.5
Trade, Transportation & Utilities	74.9
Information	7.4
Financial Activities	22.6
Professional & Business Services	47.6
Educational & Health Services	105.9
Leisure & Hospitality	46.7
Government	79.6

Source: U.S. Census Bureau, American Community Survey, 5-Year (2007-2011)
Figures are organized under the North American Industrial Classification System (NAICS).

2012 Total All Occupations

Employment	429,167
Hourly Compensation	
Median Wage	\$15.59
Average Wage	\$20.40
Entry Wage	\$8.59
Experienced	\$24.41

2012 Employment by Occupation

Average Wages

	Employment	Avg. Wages
Office & Administrative Support	60,560	\$15.10
Sales & Related	33,750	\$14.45
Food Preparation & Serving Related	38,850	\$10.03
Education, Training & Library	22,090	\$22.60
Construction & Extraction	12,500	\$18.26
Healthcare Practitioners & Technical	23,000	\$37.10
Management	18,740	\$42.37
Production	11,660	\$16.02

Source: Arizona Department of Administration, OES May 2012

Largest Private Employers in Pima County by Employee Count

Employer	Volume
Raytheon Missile Systems	10,300
Wal-Mart Stores Inc.	7,450
UA Healthcare	6,099
Freeport-McMoRan Copper & Gold	5,463
Carondelet Health Network	3,668
TMC HealthCare	2,977
Fry's Food Stores	2,700
Corrections Corp. of America.	2,314
Asarco LLC	2,297
Afni Inc.	2,199
Southern Arizona VA Health Care.	2,182
Citi Group	2,000
Bashas' Inc.	1,800
APAC Customer Service	1,777
Safeway Inc.	1,685
Target Stores Inc.	1,640
Northwest Medical Center	1,757
Walgreens	1,420
IBM	1,375
TEP/UniSource Energy	1,232
Sol Casinos	1,300
Union Pacific Railroad	1,200
Circle K Stores	1,200
GEICO	1,155
Ventana Medical Systems, Inc.	1,150

All job figures are estimates. Source: Arizona Daily Star, 2013.
<http://dynamic.azstarnet.com/star200/>

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Utilities

Electric Service

Major Suppliers:

Tohono O'odham Tribal Utility Authority	(520) 383-2236
Trico Electric Cooperative	(520) 744-2944
Tucson Electric Power	(520) 623-7711

Natural Gas Service

Major Suppliers:

Southwest Gas Corporation	(800) 889-5600
Tohono O'odham Tribal Utility Authority	(520) 383-2236

Water and Sewer

For information, see specific community profile or contact the local chamber of commerce directly.

Telephone

Major Suppliers:

Tohono O'odham Tribal Utility Authority	(520) 383-2236
Century Link	(800) 244-1111



Medical

Major Hospitals:

Carondelet St. Joseph's Hospital	(520) 296-3211
St. Mary's Hospital	(520) 872-3000
Northwest Medical Center	(520) 742-9000
Davis Monthan Air Force Base Hospital	(520) 228-2816
El Dorado Hospital and Medical Center	(520) 886-6361
Kino Community Hospital	(520) 294-4471
Palo Verde Mental Health Services	(520) 324-4340
Tucson Heart Hospital	(520) 696-2328
Tucson Medical Center	(520) 327-5461
University Medical Center	(520) 694-0111
Southern Arizona Veterans Affairs Healthcare System	(520) 792-1450



Education

Chapman University (Davis Monthan AFB)	(520) 745-6324
ITT Technical Institute	(520) 408-7488
Northern Arizona University	(520) 879-7900
Park University, (Davis Monthan AFB)	(520) 748-8266
Pima Community College	(520) 206-4500
Tucson Open University	(520) 622-0170
University of Arizona	(520) 621-2211
University of Phoenix	(520) 881-6512



Highways

Interstate 10, I-19, state Highway 79, state Highway 83, state Highway 85, state Highway 86, state Highway 286, state Highway 386, Indian Route 15, Indian Route 19, Indian Route 21, Indian Route 34

Bus Lines

Greyhound Bus Lines and Sun-Tran

Rail Service

Union Pacific Railroad Company (520) 629-2261
AMTRAK (520) 623-4442

Trucking Service

Arkansas Best Freight Systems (ABF) Freight System Inc., Arizona Express, CFI, Citizen Express Lines, Consolidated Freight Ways, Con-Way Western Express, Danny Herman Trucking, DATS Trucking Inc., Dependable Highway Express, GI Trucking Co., Hurley Trucking, Lynden Air Freight, Motor Cargo, NW Transport Service Inc., Overnite Transportation Co., Pro Aire Transport, Roadway Express, Tucson Transport Inc., United Freight Services Inc., Viking Freight Inc., Willard Trucking & Brokerage, Yellow Freight Systems Inc.

Air Service

Major Airports

Airport Name: Ajo Municipal
Functional Class: Basic Service
Elevation: 1,458'
Ownership: Public
Use: Public/Military
Nav-Aids: None
Runway: 12/30 Length: 3,784' Width: 60'
Surface: Asphalt

Airport Name: Marana NorthWest Regional Airport (formerly Avra Valley Airport) (520) 382-80529
Location: Marana
Functional Class: Corporate Reliever
Elevation: 2,025'
Ownership: Public
Use: Public/Commercial
Nav-Aids: NDB (245.0) / AWOS
Runway: 03/21 Length: 3,900' Width: 75'
Surface: Asphalt
Runway: 12/30 Length: 6,900' Width: 100'
Surface: Asphalt

Airport Name: Ryan Airfield (520) 883-9800
Location: Tucson
Functional Class: Business Service
Elevation: 2,415'
Ownership: Public
Use: Public/Military
Nav-Aids: ILS/AWOS/VASI
Runway: 06/24 Length: 5,504' Width: 75'
Surface: Asphalt
Runway: 15/33 Length: 4,000' Width: 75'
Surface: Asphalt

Airport Name: Tucson International (520) 573-8100
Functional Class: Commercial Service
Elevation: 2,641'
Ownership: Public
Use: Public/Commercial/Military
Nav-Aids: ILS/DME
Runway: 03/21 Length: 7,000' Width: 150'
Surface: Asphalt
Runway: 11L/29R Length: 10,994' Width: 150'
Surface: Asphalt
Runway: 11R/29L Length: 9,129' Width: 75'
Surface: Asphalt

Source: Department of Transportation, Arizona Airports Land Use Compatibility Study

Distance to Major Cities



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Marana

The Continental Ranch Industrial park is fully developed on 275 acres. More than 2,000 acres near I-10, the railroad, and the Marana NW Regional Airport are zoned for industrial use. For more information, contact the Town of Marana at (520) 682-3401 or the Marana Chamber of Commerce at (520) 682-4314.

Oro Valley

There are many acres available for industrial development of light, clean businesses in a campus park setting. More sites have all utilities available at the lot line. For current property information, contact the Economic Development Administrator, (520) 297-2591.

Sells/Tohono O'odham Reservation

There is one industrial park with utilities located on the San Xavier Reservation, seven miles southwest of downtown Tucson along U.S. 89 and adjacent to I-10. Foreign Trade Zone opportunities are available. For further information, contact the San Xavier Development Authority or Northill-Papago, Ltd., 7800 S. Nogales Hwy., Tucson, AZ 85706; (520) 746-3692.

South Tucson

South Tucson's 4th Avenue Corridor has several parcels and land available and zoned for industrial use. Additionally, incentives for industrial development are offered. For further information, contact the City of South Tucson, (520) 792-2424.

Tucson

Many industrial properties are available with space for light or heavy industry, office, warehouse, commercial and storage. Parcels vary in size and can be obtained by monthly or annual leases. Current information is available from Tucson Regional Economic Opportunities (TREO) Inc., (520) 243-1900.



Industrial Development Authorities

Industrial Development Authority of Pima County
Ms. Virginia Yrun, President
c/o Russo, Cox and Russo
6700 North Oracle Road, Suite 100
Tucson, AZ 85704
(520) 529-1515 / <http://pimaida.com/>

Industrial Development Authority of South Tucson
c/o City of South Tucson
1601 South Sixth Avenue
South Tucson, AZ 85713
(520) 792-2424 / <http://www.southtucson.org/>

The Industrial Development Authority of the City of Tucson
c/o Charles Lotzar, Legal Counsel
335 N. Wilmot Road, Suite 420
Tucson, AZ 85711
(480) 905-0300 / <http://www.tucsonida.com>



Corporate Income Tax

Corporate income tax rate in the State of Arizona is 6.968 percent effective for taxable years beginning from and after December 31, 2000. In 2011, Arizona House Bill 2001, also known as the "Jobs Bill" passed and was signed into legislation by Governor Jan Brewer. As a result of this bill, Arizona's corporate income tax rate will be reduced from its current rate to 4.9% by 2017.

Source: Arizona Department of Revenue

2012 Property Tax

Community	School Dist.	City/Fire	Countywide	Total
Ajo	3.58	0.00	4.20	7.78
Catalina Foothills	6.65	0.00	4.20	9.00
Green Valley	1.57	2.04	4.20	7.81
Marana	5.64	0.00	4.20	9.84
Oro Valley	5.60	0.00	4.20	9.80
Sahuarita	5.57	0.00	4.20	9.77
South Tucson	7.37	2.76	4.20	14.33
Tucson	7.37	1.26	4.20	12.83

Source: Arizona Tax Research Association, 2012 (Rate is per \$100 of assessed value)

Sales Tax

The state imposes a 5.6 percent transaction privilege (sales) tax on most business activities. The cities of Oro Valley, Sahuarita, Marana and Tucson have a 2 percent city sales tax rate. The City of South Tucson has a 2.5 percent sales tax. The following communities have an additional hotel/motel tax: Sahuarita 2 percent; Oro Valley, 6 percent; Marana, 6 percent; The City of Tucson has a hotel/motel tax rate of 6 percent and a \$1 per room rented surcharge. Transient lodging in unincorporated areas of Pima County is subject to a 2% county tax.

Sources: Arizona Department of Revenue (July 1, 2013)

Payroll Tax

Payroll taxes in Arizona are computed based on federal filing by employers and employees. Generally, withholding for state payroll taxes is between 10 and 32 percent of federal withholding based on employees' income.

Source: Arizona Department of Revenue

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Ajo District Chamber of Commerce
 1 W. Plaza St.
 Ajo, Arizona, 85321
 Phone: (520) 387-7742
 E-mail: ajocofc@tabletoptelephone.com
 Website: <http://www.ajo-chamber.com>

Green Valley / Sahuarita Chamber of Commerce
 275 West Continental Road, Suite 123
 Green Valley, Arizona, 85622
 Phone: (520) 625-7575
 E-mail: gvchamber@aol.com
 Website: <http://www.greenvalleychamber.com>

Marana Chamber of Commerce
 13881 North Casa Grande Highway
 Marana, Arizona, 85653
 Phone: (520) 682-4314
 E-mail: info@maranachamber.com
 Website: <http://www.maranachamber.com/>

Greater Oro Valley Chamber of Commerce
 7435 N. Oracle Road, Suite 107
 Tucson, Arizona, 85704
 Phone: (520) 297-3191
 E-mail: dave@orovalleychamber.com
 Website: <http://www.orovalleychamber.com/#>

Town of Oro Valley Economic Development
 11000 N. La Canada Drive
 Oro Valley, Arizona, 85737
 Phone: (520) 229-4735
 E-mail:
 Website: <http://www.orovalleyaz.gov/business>

Pascua Yaqui Tribe of Arizona
 7474 S. Camino de Oeste
 Tucson, AZ 85746
 Phone: (520) 879-6303
 E-mail: Maria.Arvalo@pascuayaqui-nsn.gov
 Website: <http://www.pascuayaqui-nsn.gov>

City of South Tucson
 1601 S. 6th Ave.
 South Tucson, Arizona, 85713
 Phone: (520) 792-2424
 E-mail:
 Website: <http://www.southtucson.org/>

Tohono O'odham Nation, Economic Development
 P.O. Box 837
 Sells, Arizona, 85634
 Phone: (520) 383-5546
 E-mail: info@maranachamber.com
 Website: <http://www.tonation-nsn.gov/>

Tucson Metropolitan Chamber of Commerce
 P.O. Box 991
 Tucson, AZ 85702
 Phone: (520) 792-2250
 E-mail: info@tucsonchamber.org
 Website: <http://www.tucsonchamber.org/>

Tucson Regional Economic Opportunities, Inc (TREGO)
 120 N. Stone Ave. Suite 200
 Tucson, Arizona, 85701
 Phone: (520) 243-1900
 E-mail: into@treoaz.org
 Website: <http://www.treoaz.org/>

County profiles are produced by the Arizona Commerce Authority:



333 N. Central Ave. Suite 1900
 Phoenix, Arizona, 85004
 Phone: (602) 845-1200
 Website: www.azcommerce.com

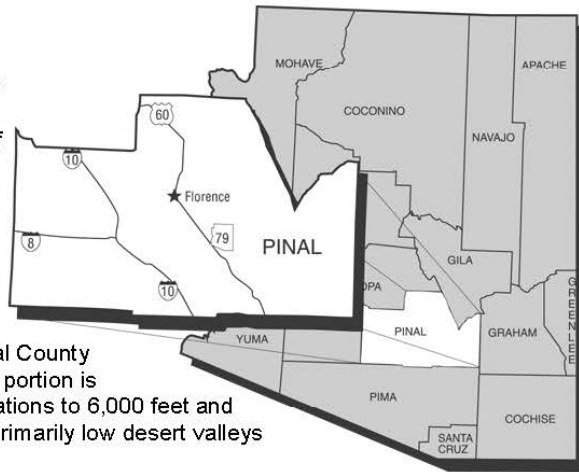
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Profile:

Pinal County, Arizona

Pinal County was formed from portions of Maricopa and Pima counties on Feb. 1, 1875, in response to the petition of residents of the upper Gila River Valley, as "Act #1" of the Eighth Territorial Legislature. Florence, established in 1866, was designated and has remained the county seat.

The county encompasses 5,374 square miles, of which 4.5 are water. In both economy and geography, Pinal County has two distinct regions. The eastern portion is characterized by mountains with elevations to 6,000 feet and copper mining. The western area is primarily low desert valleys and irrigated agriculture.



The communities of Mammoth, Oracle, San Manuel, and Kearny have traditionally been active in copper mining, smelting, milling and refining. Arizona City, Eloy, Maricopa, Picacho, Red Rock and Stanfield have agriculture based-economies. Apache Junction, Arizona City, Coolidge, Eloy, and particularly Casa Grande have diversified their economic base to include manufacturing, trade and services. This expansion and diversification has been facilitated by their location in the major growth corridor between Phoenix and Tucson near the junction of I-10 and I-8, except for Apache Junction, which is to the east of burgeoning Mesa. Most of the southern ¾ of Pinal County and a small area in Apache Junction are designated as Enterprise Zones.

The county is home to many interesting attractions, including the Old West Highway 60, Casa Grande Ruins National Monument, Picacho Peak State Park, Picacho Reservoir, Boyce Thompson Southwestern Arboretum, Oracle State Park and Columbia University's Biosphere II, McFarland State Park, Lost Dutchman State Park, Skydive Arizona, the world's largest skydiving drop-zone, and the Florence Historical District, with 120 buildings on the National Register.

The state of Arizona is the county's largest landholder with 35 percent, followed by individuals and corporations, 22 percent; Indian reservations, 23 percent; the U.S. Forest Service and Bureau of Land Management, 14 percent, and the remaining 6 percent is other public land.



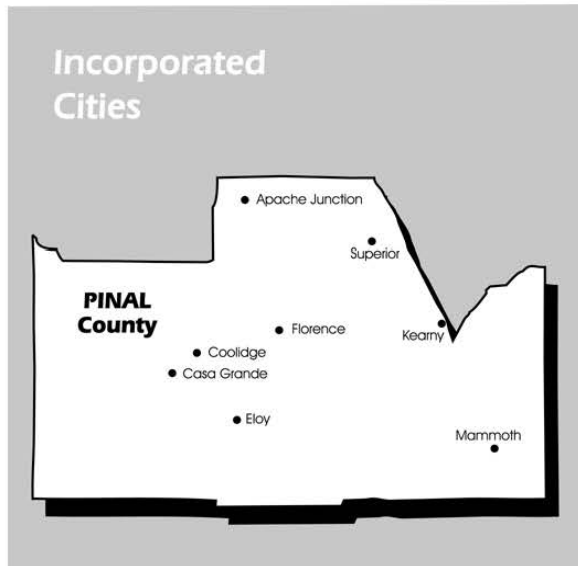
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www.azcommerce.com

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Pinal County At-a-Glance

County Seat:	Florence
2012 Population:	389,192
2012 Labor Force:	140,041
Unemployment Rate:	8.9%
Major Industries:	Services Trade Manufacturing Agriculture

Source: July 2012 Population Estimates, Arizona Department of Administration; 2012 Local Area Unemployment Statistics (LAUS), Arizona Department of Administration.



Population

	1990	2000	2012
Arizona	3,680,800	5,175,581	6,498,569
Pinal County	116,800	179,727	389,192
Major Cities/Communities			
Ak-Chin Indian Community	446	669	N/A
Apache Junction	18,175	31,814	36,928
Arizona City	1,940	4,385	10,475
Casa Grande	19,175	25,224	50,296
Coolidge	6,934	7,786	12,039
Eloy	7,235	10,375	17,433
Florence	7,525	17,054	26,773
Gila River Indian Community	9,540	11,257	N/A
Kearny	2,262	2,249	1,979
Mammoth	1,845	1,762	1,452
Maricopa	N/A	1,482	44,946
Oracle	3,043	3,563	3,686
San Manuel	3,043	3,563	3,551
Superior	3,468	3,254	2,880
Winkelman	676	443	350

Source: U.S. Census Bureau, Arizona Department of Administration, July 2012 Population Estimates.
N/A - Not available

Age Distribution

	% of total
0-14	22.7%
15-24	11.6%
25-44	28.6%
45-64	23.3%
65+	14.0%

Source: U.S. Census Bureau, American Community Survey, 5-Year (2007-2011)

Population Composition*

Race	% of total
White	78.2%
African American	5.3%
Native American	6.3%
Asian or Pacific Islander	3.1%
Other	10.4%
Hispanic Heritage*	28.8%

Source: U.S. Census Bureau, American Community Survey 5-Year (2007-2011)
*Persons of Hispanic heritage may be of any race

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2012 Civilian Labor Force

	Labor Force	Unemployment Rate
Arizona	3,030,238	8.3%
Pinal County	140,041	5.4%
Major Cities/Communities		
Ak-Chin Indian Community	469	11.1%
Apache Junction (Pinal)	15,264	10.5%
Arizona City	3,623	5.0%
Casa Grande	21,056	10.0%
Coolidge	6,601	5.0%
Eloy	7,124	13.0%
Florence	3,333	18.5%
Gila River Indian Community	N/A	N/A
Kearny	1,876	5.5%
Mammoth	1,265	14.2%
Maricopa	19,991	9.0%
Oracle	3,293	9.4%
San Manuel	3,505	12.5%
Superior	2,549	18.2%

Source: Arizona Department of Administration, Local Area Unemployment Statistics (LAUS), 2012

2011 Employment by Sector

Mining & Construction	2,875
Education & Health Services	5,700
Financial Activities	1,225
Government	20,600
Leisure & Hospitality	4,725
Manufacturing	3,125
Professional & Business Services	6,275
Trade, Transportation & Utilities	8,525
Information	450
Services and Miscellaneous	2,500

Source: U.S. Census Bureau, American Community Survey, 5-Year (2007-2011)

2012 Total All Occupations

Employment	55,350
Hourly Compensation	
Median Wage	\$15.55
Average Wage	\$18.75
Entry Wage	\$ 8.49
Experienced	\$23.60

Employment by Occupation - Average Wages

	Employment	Avg. Wages
Education, Training & Library	4,400	\$19.30
Office & Administrative Support	5,150	\$15.53
Food Preparation & Serving-Related	7,140	\$10.24
Transportation & Material Moving	3,700	\$14.29
Sales & Related	5,200	\$14.15
Production	2,660	\$16.79
Construction & Extraction	1,290	\$19.01
Management	2,280	\$44.00
Installation, Maintenance & Repair	3,240	\$22.20
Healthcare Practitioners & Technical	3,490	\$31.82

Source: Arizona Department of Administration, OES May 2012; Mean wage per hour

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Major Employers

Employer	Employment Type
Abbott Labs/Ross Prod. Div. (Casa Grande)	Nutritionals
Albertson's	Grocery Store
Apache Junction Health Center	Medical Clinic
Apache Junction Schools	Education
Arizona State Prison (Florence)	Detention Centers
Asarco (Hayden)	Copper Mining and Smelting
Bashas'	Grocery Store
Casa Grande Regional Medical Center	Medical Doctors Office
Casa Grande Elementary School Dist.	Education
Casa Grande Union H.S. Dist.	Education
Casa Grande Valley Newspapers	Newspapers/Printing
Central Arizona College (Coolidge)	Colleges and Universities
City of Apache Junction	Government
City of Casa Grande	Government
City of Eloy (Eloy)	Government
Coolidge Unified School District	Education
Corrections Corp. of America (Eloy, Florence)	Detention Center
Eloy Schools (Eloy)	Education
Evergreen Air Center (Marana)	Air Cargo
Flying J Truckstop	Fuel/Restaurant
Frito-Lay (Casa Grande)	Snack Foods
Fry's Food & Drug Store	Grocery Store
Gila River Indian Community	
Government Farms	Farming
Harrah's Ak-Chin Casino	Gaming
Hexcel Corp. (Casa Grande)	Aerospace Manufacturer
Holiday Inn (Casa Grande)	Full Service Hotel
Hunter Douglas Wood Products	Window Treatments
K-Mart	Discount Department Store
Mayville Metals (Casa Grande)	Metal Fabrication
Mulay Plastics of Casa Grande	Plastic Injection Molding
Pinal County	Government
Regional Care Service Corp.	Medical Facilities
Safeway Supermarkets (Coolidge)	Grocery Store
Tanger Outlet Center (Casa Grande)	Factory Outlets
Truckstop of America (Eloy)	Fuel/Restaurant
Wal-Mart	Discount Department Store

Source: Greater Casa Grande Valley Economic Development Foundation
Companies listed more than 100 employees



Electric Service

Major Suppliers:

APS	(800) 253-9407
Bureau of Indian Affairs (Coolidge)	(520) 723-6215
Bureau of Indian Affairs (Mammoth/Oracle)	(520) 896-9401
Electric Dist. 2	(520) 723-7741
Salt River Project (Gila River Indian Community)	(602) 236-8888
San Carlos Irrigation Project	(520) 723-5408

Natural Gas Service

Major Suppliers:

El Paso Natural Gas (520) 663-4200
 Southwest Gas Corporation (800) 766-9722

Water and Sewer

For information, see specific community profile or contact the local city government.

Telephone

Major Suppliers:

Gila River Telecommunications (520) 796-3333
 Century Link (520) 509-3629



Medical

Major Hospitals:

Casa Grande Regional Medical Center (520) 381-6300
 HoHoKam Memorial,
 Gila River Indian Community (520) 562-3321



Education

Central Arizona College, Apache Junction (480) 677-7700
 Central Arizona College, Aravaipa (520) 357-2800
 Central Arizona College, Coolidge (520) 494-5444
 Central Arizona College, Florence (520) 494-6400



Transportation

Highways

Interstate 8, I-10, U.S. 60, state Highway 77, state Highway 79, state Highway 84, state Highway 87, state Highway 88, state Highway 177, state Highway 187, state Highway 237, state Highway 287, state Highway 347, state Highway 387, Indian Route 15

Bus Lines

Greyhound Bus Lines (800) 231-2222

Rail Service

Union Pacific Railroad (888) 870-8777

Trucking Service

Arizona Messenger, Consolidated Freight Ways, Hurley Trucking Co., Swift Transportation, TNT Bestway Transportation

Air Service

Airport Name: Casa Grande Municipal (520) 426-3616
 Functional Class: Business Service
 Elevation: 1,462'
 Ownership: Public
 Use: Public
 Nav-Aids: ILS
 Runway: 05/23 Length: 5,200' Width: 100'
 Surface: Asphalt

Distance to Major Cities



Note: This information is as current as the date of this publication and was taken from reliable sources; however, we do not guarantee its completeness nor does the Arizona Commerce Authority endorse any particular individual. This information is provided as a service only.

Airport Name: Coolidge Municipal (520) 723-5361

Functional Class: Business Service
Elevation: 1,587'
Ownership: Public
Use: Public
Nav-Aids: None
Runway: 05/23 Length: 5,550' Width: 150'
Surface: Asphalt
Runway: 17/35 Length: 3,740' Width: 75'

Airport Name: Eloy Municipal (520) 466-4721

Functional Class: Basic Service
Elevation: 1,513'
Ownership: Public
Use: Public
Nav-Aids: None
Runway: 02/20 Length: 3,900' Width: 60'
Surface: Asphalt

Airport Name: Estrella Sailport (520) 568-2318

Location: Maricopa
Functional Class: Basic Service
Elevation: 1,273'
Ownership: Private
Use: Public
Nav-Aids: None
Runway: 6R/24L Length: 2,520' Width: 30'
Surface: Asphalt
Runway: 6C/24C Length: 1,995' Width: 20'
Surface: Dirt
Runway: 6L/24R Length: 1,910' Width: 50'
Surface: Asphalt

Airport Name: Pinal Airpark (No phone)

Location: Marana
Functional Class: Business Service
Elevation: 1,891'
Ownership: Public
Use: Public/Military
Nav-Aids: None
Runway: 12/30 Length: 6,860' Width: 150'
Surface: Asphalt

Airport Name: San Manuel Airport (No phone)

Functional Class: B/II
Elevation: 3,275'
Ownership: Public
Use: Public
Nav-Aids: None
Runway: 11/29 Length: 4,215' Width: 55'
Surface: Asphalt Runway: 06/24 Length: 5,504'
Width: 75'
Surface: Asphalt
Runway: 15/33 Length: 4,000' Width: 75'
Surface: Asphalt

Airport Name: Superior Municipal Airport (No phone)

Functional Class: Basic Service
Elevation: 2,646'
Ownership: Public
Use: Public
Nav-Aids: None
Runway: 04/22 Length: 3,500' Width: 75'
Surface: Dirt

Source: Arizona Department of Transportation



Ak-Chin

There is a 105-acre park in the northeastern section of east Ak-Chin. The park is separated from the reservation by the Casa Grande Highway and Union Pacific Railroad. For more information, contact the Ak-Chin Indian Community at (520) 568-1000.

Apache Junction

For further information, contact the City of Apache Junction, Department of Development Services at (480) 474-5083.

Arizona City

Arizona City has two industrial parks totalling 119 acres. For additional information, contact the Arizona City Chamber of Commerce, (520) 466-5141.

Casa Grande

There are five fully improved parks, most with access to rail, all have excellent access to I-10 and I-8. For more information, contact the Greater Casa Grande Valley Economic Development Foundation, (520) 836-2125.

Coolidge

There are several locations with railroad access and a 40+-acre industrial park with all utilities and streets divided into two-and-a-half to five-acre parcels. Also, a 500-acre industrial park with all utilities is located just north of the city. For information, contact the City of Coolidge - Economic Development at (520) 723-6075 or the Coolidge Chamber of Commerce at (520) 723-3009.

Eloy

Most sites have full utilities and access to transportation facilities. For more information, contact the City of Eloy at (520) 466-9201, the Eloy Chamber of Commerce at (520) 466-3411 or the Greater Casa Grande Valley Economic Development Foundation at (520) 466-9201.

Gila River Indian Community

A new 500-acre business park is located in the nearby Phoenix-Chandler area at I-10 and SR 347. More than 1,477 acres are available with space for light/heavy industry or agri-business. Current information is available from the Gila River Indian Community Economic Development Department at (520) 562-9698.

Kearny

For additional information, contact the Town of Kearny, P.O. Box 639, Kearny, AZ 85237, (520) 363-5547.

San Manuel

Contact the San Manuel Chamber of Commerce at (520) 385-4360 for local information.

Industrial Development Authorities

Industrial Development Authority of Casa Grande
Donovan Kramer Sr., President
P.O. Box 15002
Casa Grande, AZ 85222
(520) 421-8600

Industrial Development Authority of Florence
755 N. Main St.
P.O. Box 2670
Florence, AZ 85132
(800) 984-0682

Corporate Income Tax

Corporate income tax rate in the State of Arizona is 6.968 percent effective for taxable years beginning from and after December 31, 2000. In 2011, Arizona House Bill 2001, also known as the "Jobs Bill" passed and was signed into legislation by Governor Jan Brewer. As a result of this bill, Arizona's corporate income tax rate will be reduced from its current rate to 4.9% by 2017.

Source: Arizona Department of Revenue



Property Tax

Community	School District	City/Fire	Countywide	Total
Apache Junction	6.03 ⁺	0.00	6.56	12.63
Arizona City	5.51 ^{**}	2.90	6.56	15.01
Casa Grande	6.05 ^{**}	1.58	6.56	14.23
Coolidge	3.83 ^{**}	1.51	6.56	11.94
Eloy	9.23 ^{**}	1.04	6.56	16.87
Florence	7.27 ^{**}	1.05	6.56	14.92
Kearny	3.43	2.00	6.56	12.03
Mammoth	5.86	2.40	6.56	14.86
Oracle	2.97	5.57	6.56	15.14
Picacho/Red Rock	6.36 ^{**}	3.42	6.56	16.38
Superior	5.13 ^{***}	5.93	6.56	17.66

Source: Arizona Tax Research Association, 2012 (Rate is per \$100 of assessed value)

Sales Tax

The state imposes a 5.6 percent transaction privilege (sales) tax on most business activities. Pinal County has a 1 percent general sales tax. Additional sales tax rates by city are as follows: Apache Junction, 2.2%; Casa Grande, 1.8%; Florence, Mammoth, Maricopa and Superior, 2%; Kearny, Eloy and Coolidge, 3%.

Sources: AZ Department of Revenue (July 1, 2013)

Payroll Tax

Payroll taxes in Arizona are computed based on federal filing by employers and employees. Generally, withholding for state payroll taxes is between 10 and 32 percent of federal withholding based on employees' income.

Source: Arizona Department of Revenue

Note: This information is as current as the date of this publication and was taken from reliable sources; however, we do not guarantee its completeness nor does the Arizona Commerce Authority endorse any particular individual. This information is provided as a service only



City of Apache Junction - Economic Development
300 E. Superstition Blvd.
Apache Junction, AZ 85219-2899
Phone: 480.474.5096, Fax: 480-474-5110
Email: sfilipowicz@ajcity.net
Website: www.aicity.net

Apache Junction Chamber of Commerce
Apache Junction, AZ 85217
Phone: 480.982.3141
Email: ajchamber@qwest.net
Website: apachejunctioncoc.com

Arizona City Chamber of Commerce
P.O. Box 5
Arizona City, AZ 85223
Phone: 520.466.5141, Fax: 520.466.8204
Email: azchamber@cgmailbox.com
Website: www.azchamber.com

Greater Casa Grande Chamber of Commerce
575 N. Marshall St.
Casa Grande, AZ 85222-5244
Phone: 520.836.2125, Fax: 520.836.6233
Email: chamber@cgmailbox.com
Website: www.casagrandechamber.org

Central Arizona Regional Economic Development Foundation
540 N. Camino Mercado, Suite 2
Casa Grande, AZ 85222
Phone: 520.836.6868, Fax: 520.836.4898
Email: info@caredf.org
Website: www.caredf.org

Coolidge Chamber of Commerce
320 W. Central Avenue
Coolidge, AZ 85128
Phone: 520.723.3009, Fax: 520.723.9410
Email: info@coolidgechamber.org
Website: www.coolidgechamber.org

City of Coolidge, Econ. Dev., Growth Management Dept.
141 N. Main Street
Coolidge, AZ 85228
Phone: 520.723.6075, Fax: 520.723.6079
Website: www.coolidgeaz.com

Eloy Chamber of Commerce
305 N. Stuart Blvd
Eloy, AZ 85231
Phone: 520.466.3411, Fax: 520.466.4698
Email: info@eloychamber.com
Website: www.eloychamber.com

Copper Basin Chamber of Commerce
P.O. Box 206/355 Alden Rd.
Kearny, AZ 85237
Phone: 520.363.7607, Fax: 520.363.9663
Email: cbc@copperbasinaz.com
Website: www.copperbasinaz.com

SMOR Tri-Community Chamber of Commerce (San Manuel, Mammoth & Oracle)
P.O. Box 416
San Manuel, AZ 85631
Phone: 520.385.9322, Fax: 520.385.9322
Email: info@smorchamber.org
Website: www.smorchamber.org

Maricopa Chamber of Commerce
1203/45138 West Garvey Drive, Unit B Maricopa,
AZ 85239
Phone: 520-568-9573
Website: www.maricopachamber.com

Florence Industrial Development Authority
P.O. Box 1413
Florence, AZ 85232
Phone: 520.868.3515
Email: info@florenceopportunities.com
Website: <http://florenceopportunities.com/>

County profiles are produced by the Arizona Commerce Authority:



333 N. Central Ave. Suite 1900
Phoenix, Arizona, 85004
Phone: (602) 845-1200
Website: www.azcommerce.com



GLOSSARY

9(D) DEBT

A debt owed to the federal government related to irrigation systems.

A2X

Access to Excess policy

ACC

Arizona Corporation Commission

ACCRUAL BASIS OF ACCOUNTING

Revenue is recorded when earned and expenses recognized in the period incurred, without regard to the time of receipt or payment of cash (e.g., accrue if work is done but invoice not received).

ACRE-FOOT (A/F)

A unit of water volume measurement. One acre-foot of water will cover an area of one acre to a depth of one foot and equals 43,560 cubic feet, 1,233 cubic meters or 325,851 gallons. An acre-foot is enough water to meet the needs of three average families for one year.

ACTIVE MANAGEMENT AREA (AMA)

A geographical region in Arizona subject to regulation under the Groundwater Management Act. Five active management areas currently exist in the State.

AD VALOREM TAX

A levy upon the assessed valuation of property within the District's service area (Maricopa, Pima and Pinal counties).

ADA

Americans with Disabilities Act

ADD WATER (ACQUISITION, DEVELOPMENT AND DELIVERY OF NEW WATER SUPPLIES)

A collaborative process to determine when new water supplies need to be acquired and how those supplies could be shared.

AD&D

Accidental Death and Dismemberment

ADDITIONAL RATE COMPONENT (ARC)

A supplemental charge on power from the NGS (surplus to the needs of the CAP) which is collected to recover funds advanced by the CAWCD for the construction of New Waddell Dam.

ADEQ

Arizona Department of Environmental Quality

ADWR

Arizona Department of Water Resources

A/F

Acre-feet or acre-foot

AFRP

Aqua Fria Recharge Project

AG SETTLEMENT

Set amount of excess water for Agricultural use through 2021

AGRICULTURAL WATER

Water sold to irrigation districts and farmers for agricultural purposes.

AGRICULTURAL WATER USE

Water applied to two or more acres of land to produce plants or parts of plants for sale for human consumption or for use as feed for livestock, range livestock or poultry.

AGM

Assistant General Manager

AMA

Active Management Area

AMORTIZATION

The repayment of a loan by installments.

AMPUA

Arizona Municipal Power Users Association

AMWUA

Arizona Municipal Water Users Association

APA

Arizona Power Authority

AQUEDUCT

A pipe or channel for transporting water from a remote source, usually by gravity.

AQUIFER

A body of rock or sediments that is sufficiently permeable to conduct groundwater and to yield economically significant quantities of water to wells and springs.

ARC

Additional Rate Component

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY (ADEQ)

A department of state government responsible for groundwater quality protection, water quality standards, and wastewater reclamation and reuse permits.

ARIZONA DEPARTMENT OF WATER RESOURCES (ADWR)

A department of state government responsible for water management and administration of water-related programs within the State.

ARIZONA WATER BANKING AUTHORITY (AWBA)

A specially created state agency that, in partnership with the CAWCD, helps store unused Arizona Colorado River water in recharge sites around the state to help meet future needs.

ARS

Arizona Revised Statute

ASRS

Arizona State Retirement System

ASSESSED VALUATION

The dollar value assigned to a property for purposes of measuring applicable taxes

ASSIGNMENT WATER FROM SRPMIC

As part of the Salt River Pima-Maricopa Indian Community (SRPMIC) water rights settlement, water allocated to Roosevelt Water Conservation District was assigned to the cities of Chandler, Gilbert, Glendale, Mesa, Phoenix, Scottsdale and Tempe.

AWBA

Arizona Water Banking Authority

AWSA

Arizona Water Settlements Act

BALANCED BUDGET

A budget in which estimated revenues equal estimated expenditures.

BALANCED SCORECARD

A set of key performance indicators that measure the degree to which an organization is accomplishing its mission and business strategies.

BDF

Basin Development Fund

BART

Best Available Retrofit Technology

“BIG R”

Major repairs and replacements of capital equipment.

BOND INDENTURE

A contract between the issuer of municipal securities and a trustee, for the benefit of the bondholders, which establishes the rights, duties, responsibilities and remedies of the issuer and trustee and determines the exact nature of the bonds.

BOR

Bureau of Reclamation

BUREAU OF RECLAMATION (BOR, USBR, BUREAU OF RECLAMATION)

A branch of the Department of the Interior responsible for the construction of the CAP.

CAGR

Central Arizona Groundwater Replenishment District

CAP

Central Arizona Project

CAPITAL BUDGET

Fixed assets and capital projects to be acquired or constructed during the budget period.

CAPITAL CHARGES (SEE WATER SERVICE CAPITAL CHARGES)**CAPITAL EXPENDITURE**

Expenditures that result in the acquisition of, or addition to, fixed assets including land, buildings, improvements, machinery and equipment.

CAPITAL PROJECT

Projects with an estimated cost of \$100,000 or more and either (a) increase the useful life of the asset by three years or more, (b) constitute replacement of the majority of the asset, or (c) enhance or upgrade the asset. If the expenditure maintains the original condition of the asset or maintains a given level of service, it is classified as an operating expense.

CAPTIVE INSURANCE COMPANY (CAPTIVE)

A closely held insurance company whose insurance business is primarily supplied by and controlled by its owner(s).

CATHODIC PROTECTION

An electrical system for prevention of rust, corrosion and pitting of metal surfaces that is in contact with water or soil.

CAWCD

Central Arizona Water Conservation District

CENTRAL ARIZONA GROUNDWATER REPLENISHMENT DISTRICT (CAGRD)

Created by the State Legislature in 1993 to replenish groundwater in Pima, Pinal and Maricopa counties. CAGRD's purpose is to provide a mechanism for water providers and landowners to demonstrate an Assured Water Supply. The CAWCD operates the CAGRD.

CENTRAL ARIZONA PROJECT (CAP)

A 336-mile long water conveyance system built to carry water from the Colorado River to central and southern Arizona. The term "CAP" is also used to refer to the CAWCD.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT (CAWCD OR DISTRICT)

The multi-county water conservation district established as a special taxing district for the purpose of contracting with the United States for the delivery of CAP water and the repayment of appropriate reimbursable share of construction costs.

CLIFF DAM REPLACEMENT / HOHO KAM

Effective December 1993, the HoHoKam Irrigation and Drainage District's agricultural subcontract was transferred to the cities of Chandler, Mesa, Phoenix and Scottsdale to replace the water supply that would have otherwise been provided by Cliff Dam, which was not built.

CONJUNCTIVE USE

The planned and coordinated use of surface water and ground water supplies to improve water supply reliability.

CTS

Checks and Turnouts

DEBT SERVICE

Principal and interest payments on outstanding bonds.

DECOMMISSION

Planned shut-down or removal of a building, equipment, plant, etc., from operation or usage.

DEFEASANCE

The setting aside, by a borrower, of cash or bonds sufficient to service the borrower's debt. Both the borrower's debt and the offsetting cash or bonds are removed from the statement of net position.

DEPRECIATE

To allocate the cost of an asset over its life.

DESALINATION

Specific treatment processes to demineralize sea water or brackish (saline) water for use.

DESIGNATED RESERVE

An account used to indicate funds that are designated by the CAWCD Board of Directors for a specific purpose and are, therefore, not available for general purpose use without the approval of the Board.

DISPLACEMENT (ENERGY)

The process whereby energy available for CAP pumping is sold at a location with a higher market price (e.g., McCullough) and replacement energy is purchased at a location with a lower market price (e.g., Westwing or Palo Verde), resulting in a net revenue gain while still meeting CAP water deliveries.

EA

Environmental Assessment

ECONOMIC RESOURCES MEASUREMENT FOCUS

Used to measure the sources, uses and balances of economic resources, regardless of when they will be received or disbursed in cash.

EFFLUENT

Water that has been collected in a sanitary sewer for subsequent treatment in a facility that is regulated as a sewage system, disposal plant or wastewater treatment facility. Such water remains effluent until it acquires the characteristics of groundwater or surface water.

EHR

Electronic Human Resources

EIMS

Enterprise Information Management System

EIS

Environmental Impact Statement

ELIMINATION ENTER

An accounting tool used to simplify the consolidated financial statement of affiliated companies. When one company is the parent company of a subsidiary company, a consolidated financial statement provides an overall picture of the companies' combined financial position.

ENTERPRISE FUND

A fund established to account for operations financed and operated in a manner similar to private business enterprises, wherein the stated intent is that the costs (including depreciation) of providing goods and services be financed from revenues recovered primarily through user fees.

ENTERPRISE RESOURCE PLANNING SYSTEM (ERP)

An integrated information management system.

ENVIRONMENTAL PROTECTION AGENCY (EPA)

A federal agency formed by Congress in 1970 in response to growing public demand for cleaner water, air and soil.

EPA

Environmental Protection Agency

EROC

Energy Risk Oversight Committee

EXCESS WATER

The remaining water available to non-subcontractors after long-term subcontractors have submitted their water delivery schedules.

EXPENDITURE

The outflow of funds paid or to be paid for an asset obtained or goods and services obtained regardless of when the expense is actually paid. An encumbrance is not an expenditure. An encumbrance is a commitment of funds for future expenditures.

EXTRAORDINARY MAINTENANCE PROJECT

Repair or maintenance to an existing facility that has a cost of \$100,000 or more and maintains the original condition or level of utility. These expenses are not reoccurring annual maintenance costs, but out-of-the-ordinary maintenance which occurs infrequently.

FACILITY USE CHARGES

A charge assessed to non-subcontractors to assist with the District's annual repayment obligation to the federal government for the reimbursable construction costs of the CAP.

FAP

Finance, Audit & Power (Committee)

FERC

Federal Energy Regulatory Commission

FIRMING

The act of securing Colorado River water supplies by recharging and storing available excess supply in order to meet anticipated future declared shortages on the Colorado River.

FEDERAL WATER

Water used for federal purposes (i.e., Indians, construction water, etc.).

FIXED ASSETS

Assets that are used in a productive capacity, have physical substance, are relatively long-lived, and provide future benefit, which is readily measurable, such as land, buildings, machinery, furniture, vehicles, other equipment and capital projects. Those assets that are capitalized and depreciated over a period of time.

FTE

Full-Time Equivalent

FULL-TIME EQUIVALENT (FTEs)

The conversion of a position to a decimal based on the number of hours worked per year. For example, a full-time position is based on 2,080 hours per year and would be equivalent to 1.0 FTE. A part-time position working 20 hours per week would be equivalent to 0.5 of a full-time position.

FUND

A fiscal and accounting entity created by a government for the purpose of tracking the finances of a particular activity, group of activities or revenue source.

FUND BALANCE

The difference between assets and liabilities. Also referred to as "net position."

GAAP

Generally Accepted Accounting Principles

GASB

Government Accounting Standards Board

GENERAL OBLIGATION DEBT

Bonds that are secured by the full faith and credit of the issuer and secured by a pledge of the issuer's ad valorem taxing power.

GIS

Geographic Information System

GM

General Manager

GRIC

Gila River Indian Community

GROUNDWATER SAVINGS FACILITY (GSF)

Water exchange program where surface water is delivered to a water user traditionally reliant upon groundwater. The surface water delivery replaces the use of groundwater, so the groundwater is saved and thereby counted as recharge.

GSF

Groundwater Savings Facility

GUARANTEED INSURANCE CONTRACT

An insurance contract promising a stated nominal interest rate over some specific period, usually several years.

GWh

Gigawatt hour

HMRP

Hieroglyphic Mountains Recharge Project

HOOVER CAPACITY CHARGE

A charge assessed to assist in the repayment of upgrading the Hoover power plant, located at Hoover Dam, to increase generating capacity at the plant.

HOOVER 4.5 MIL SURCHARGE

A surcharge established by the 1984 Hoover Power Plant Act on energy from Hoover power plant that is sold in Arizona. The revenues generated from this surcharge are credited to the Lower Colorado River Basin Development Fund and used to offset the District's annual repayment obligation.

HVAC

Heating, Ventilation and Air Conditioning

ICS

Intentionally created surplus

ICUA

Intentionally created unused apportionment

INCENTIVE UNDERGROUND STORAGE WATER

A special program offered to M&I subcontractors and other Arizona entities. They must have a valid ADWR storage permit and must accrue long-term storage credits for this activity.

INELASTIC REVENUES

Revenues that remain relatively flat from year-to-year and are not impacted by the fluctuations in water deliveries.

INFRASTRUCTURE

Long lasting capital assets that are stationary, can be preserved for significantly greater periods than most capital assets, and typically are part of a large system of capital assets; examples include bridges, tunnels, roads, water mains and sewers.

IT

Information Technologies

KEY PERFORMANCE INDICATOR (KPI)

A quantifiable measure used to determine the degree to which a specific business strategy is being accomplished.

KRA

Key Result Area

LINE ITEM

A specific category of revenue or expense.

LIVELINK

A document management system that provides full lifecycle management for any type of electronic document and is a single, authoritative repository for storing and organizing electronic documents.

LONG-TERM WATER SUBCONTRACTOR

See "Subcontract"

LOWER COLORADO RIVER BASIN DEVELOPMENT FUND (LCRBDF OR BDF)

A special fund established within the United States Treasury to account for all revenues and expenses associated with the CAP.

LRFP

Long Range Financial Plan

LSCR

Lower Santa Cruz Recharge Project

M&I

Municipal and Industrial

MAF

Million Acre-Feet

MAINTENANCE EXCELLENCE (ME)

Industry best practice for maintenance.

MAINTENANCE MANAGEMENT SYSTEM (MMS)

An organized system used to ensure that all operations and maintenance activities (e.g., maintenance, inspection, operational testing) are accomplished and documented.

MASTER REPAYMENT CONTRACT

A contract entered into between the BOR and the CAWCD for the delivery of water and repayment of costs of the CAP.

MATS

Mercury Air Toxic Standard

MEMBER LAND (ML)

An individual subdivision that has met the qualifications for membership in the CAGR.

MEMBER SERVICE AREA (MSA)

The service area of a municipal water provider that has met the qualifications for membership in the CAGR.

MISCELLANEOUS WATER

Water used for recreational and fish and wildlife purposes.

MSCP

Multi-Species Conservation Program

MUNICIPAL AND INDUSTRIAL (M&I) WATER

Water sold to municipalities, private water companies, and industrial users.

MWh

Megawatt hour

NEPA

National Environmental Protection Act

NET POSITION

The difference between assets and liabilities. Also referred to as "fund balance."

NGS

Navajo Generating Station

NIA PRIORITY WATER:

Non-Indian agriculture priority water entitlements relinquished by the irrigation districts, a significant portion of which was reserved by the United States for Indian settlement purposes with up to 96,295 acre-feet to be reallocated for non-Indian M&I purposes.

NON-SUBCONTRACT

A short-term contract between the CAWCD and a water customer for the delivery of CAP water.

NOx

Nitrogen Oxide

O&M

Operations and Maintenance

OM&R

Operation, Maintenance, and Replacement

OM&R RECONCILIATION

An analysis performed to determine the actual cost to deliver CAP water on a per acre-foot basis (reconciled rate) compared to the water rate set by the Board in advance of delivery.

OPERATING BUDGET

That portion of the budget that pertains to daily operations that provides basic services. The operating budget contains approved expenditures (e.g., salaries, materials, travel, services, etc.).

OPERATING PROJECT

Investigation and research associated with determining the optimal alternative for the repair or improvement to an existing facility. The project is classified as an operating expense.

OPERATION, MAINTENANCE, AND REPLACEMENT (OM&R)

Costs incurred for the operation, maintenance, and replacement of the CAP system.

OSHA

Office of Safety and Health Administration

PA

Public Affairs

PLC

Programmable Logic Controllers

PERMANENT SERVICE RIGHT (PSR)

Represents the District's right to operate and maintain the CAP. Title to the Project remains with the federal government. However, the Master Repayment Contract establishes the District as the entity responsible for ongoing operations and maintenance and the repayment of reimbursable construction costs.

PM

Preventative Maintenance

PMRRP

Pima Mine Road Recharge Project

POTABLE WATER

Water having no impurities present in amounts sufficient to cause disease or harmful physiologic effects; also conforms in its bacteriologic and chemical quality to the requirements of the U.S. Environmental Protection Agency's Safe Drinking Water Act or meets the regulations of other agencies having jurisdiction.

PSC

Project Steering Committee

PSR

Permanent Service Right

RATE

A charge or payment calculated in relation to a particular sum or quantity (e.g., water rates).

RECHARGE

The process of replenishing underground aquifers with water by putting water in basins so it can percolate through the soil.

RECHARGE WATER (ALSO REFERRED TO AS UNDERGROUND STORAGE WATER)

Water used to replenish groundwater supplies either directly through delivery of water to an existing recharge project or indirectly by delivering water in lieu of pumping water from the ground.

RENEWABLE GROUNDWATER

The amount of groundwater naturally replenished that could be annually withdrawn without causing significant water-level declines.

REPAYMENT STIPULATION (OR STIPULATION)

The 2003 agreement between the United States and CAWCD, approved by the U.S. District Court, that resolved litigation regarding CAWCD's repayment obligation for the CAP and other matters.

REPLENISHMENT

Replacement of groundwater supplies that have been pumped.

RESERVE

An account established with the Arizona State Treasurer to invest funds and can be categorized as designated, restricted, or unrestricted.

RESERVED ENERGY

The energy that CAP reserves for its operational use.

RESTRICTED RESERVE

An account used to indicate funds that are legally restricted for a specific purpose and are, therefore, not available for general purpose use.

REVENUE BOND

A type of bond that is backed only by the revenues from a specific source (e.g., power revenues).

RIPARIAN RIGHT

A water right based on the ownership of land bordering a river or waterway.

RSEDRA

Reclamation States Emergency Drought Relief Act

RTU

Remote Terminal Unit

SALT RIVER PROJECT (SRP) CONSIDERATION FEE

Revenues collected from the SRP for the sale of 50MW of surplus power from the NGS. These revenues are deposited into the Lower Colorado River Basin Development Fund and used to offset the District's annual repayment obligation to the federal government.

SCADA

Supervisory Control and Data Acquisition

SHAPING (ENERGY)

The process of shifting CAP pumping activity in time to allow for the sale of energy when prices are higher and the purchase of replacement energy when prices are lower, resulting in a net revenue gain while still meeting CAP water deliveries.

SHORT-TERM WATER SERVICE SUBCONTRACTOR

See "Non-subcontractor."

SMRP

Superstition Mountains Recharge Project

SMT

Senior Management Team

SO₂

Sulfur Dioxide

SOP

Standing Operating Procedures

SRP

Salt River Project

SRPMIC

Salt River Pima-Maricopa Indian Community

STANDARD OPERATING PROCEDURES (SOP)

A comprehensive single-source document covering all aspects of operation and maintenance and emergency procedures. Its purpose is to ensure adherence to approved operating procedures.

STRATEGIC FRAMEWORK

The Strategic Framework reflects the intended direction of a business, providing the purpose, vision, mission, goals and underlying philosophies and strategies necessary to achieve them.

STATE DEMONSTRATION PROJECT

A project for the storage of excess CAP water at an underground storage facility.

SUBCONTRACT

Long-term (50 year) contract among the CAWCD, BOR and a water customer for the delivery of CAP water.

SUBSIDENCE

Sinking elevation of the ground surface; the process may occur over an aquifer that is slowly draining and decreasing in volume because of pore collapse.

SUCCESSION PLANNING PROGRAM

A systematic process where managers identify, assess and develop their staff to make sure they are ready to assume key roles within the company.

SUPERVISORY CONTROL AND DATA ACQUISITION (SCADA)

Used by Water Operations to operate the entire CAP system.

SURCHARGE

An additional levy added to a charge.

SURPLUS WATER

Water declared surplus on the Colorado River by the Secretary of the Interior and available for excess lands not eligible to receive CAP water for agricultural purposes.

TDRP

Tonopah Desert Recharge Project

TURNOUT

A structure used to divert water from the CAP system to a smaller channel.

UNDERGROUND STORAGE FACILITY (USF)

There are two types of underground storage facilities: constructed and managed. A constructed facility requires the construction of infiltration structures (basins, furrows, ditches, etc.), while a managed facility uses preexisting natural channels for recharge.

UNDERGROUND STORAGE WATER (ALSO REFERRED TO AS RECHARGE WATER)

Water used to replenish groundwater supplies either directly through delivery of water to an existing recharge project or indirectly by delivering water in lieu of pumping water from the ground.

UNRESTRICTED RESERVE

An account used to indicate funds that are not designated or restricted for a specific purpose, which includes working capital and funds identified by CAWCD management for a specific purpose.

USBR

United States Bureau of Reclamation

USF

Underground Storage Facility

USGS

United States Geological Survey

VPP

Voluntary Protection Program

WAPA

Western Area Power Administration

WATER CREDITS

If water is to be stored for use in later years, it must meet the eligibility requirements for long-term storage and recovery. These eligibility requirements focus on whether the storer could put the water to direct use rather than storing it for future use, particularly if the storer will be using groundwater to supply its immediate needs. If the storage does qualify for long-term storage, a credit is made to the storer's long-term storage account and will be available for use at any time the storer wishes to call on it.

WATER O&M CHARGES

Water revenues collected from the various customer categories (agriculture, M&I, federal, and recharge) that offset the expenses associated with the delivery of water.

WATER RIGHTS

A property right to make specific beneficial use of a particular amount of water with a specified priority date.

WATER SERVICE CAPITAL CHARGES

A charge assessed to subcontractors to assist with the District's annual repayment obligation to the federal government for the reimbursable construction costs of the CAP.

WATER STORAGE TAX (4-CENT TAX)

Tax levied under ARS § 48-3715 and authorizes CAP to levy a Water Storage tax up to 4 cents per \$100 as assessed valuation.

WATER TABLE

The top of the water surface in the saturated part of an unconfined aquifer.

WATERSHED

The region or land area drained by a river; also called a drainage basin.

WHEELED WATER OR WATER WHEELING

Water transferred between two agencies whereby one agency uses its system infrastructure to treat and/or convey water that is owned by the receiving agency.

WORKING CAPITAL

An unrestricted reserve available for general purpose use.

YDP

Yuma Desalting Plant



CAP

CENTRAL ARIZONA PROJECT

PO Box 43020
Phoenix, Arizona 85080-3020
623.869.2333
www.cap-az.com

**CENTRAL ARIZONA PROJECT
FINAL 2014 - 2015 RATE SCHEDULE**

Approved
June 6, 2013

DELIVERY RATES FOR VARIOUS CLASSES OF WATER SERVICE

Units = \$/ acre-foot

(The Letter Designations in the Formulas Refer to the Rate Components Shown Below)

	<u>2012</u>		<u>2013</u>		<u>Firm 2014</u>		<u>Advisory 2015</u>
<u>Municipal and Industrial</u>							
Long Term Subcontract (B+C) ¹	\$ 122	\$	129	\$	146	\$	157
Non-Subcontract (A+B+C)	137		144		166		178
Recharge (A+B+C) ²	137		144		166		178
AWBA Interstate Recharge (A+B+C+D) ³	165		168		189		202
<u>Federal</u> (B+C)	\$ 122	\$	129	\$	146	\$	157
<u>Agricultural</u>							
Settlement Pool (C) ⁴	\$ 49	\$	53	\$	67	\$	74
<u>Agricultural Incentives</u> ⁴							
Meet Settlement Pool Goals	(4)		(6)		(14)		(17)
Meet AWBA/CAGR D GSF Goals	(1)		(1)		(2)		(2)
Meet Recovery Goals	(1)		(1)		(2)		(2)

RATE COMPONENTS

Units = \$/acre-foot

	<u>2012</u>		<u>2013</u>		<u>Firm 2014</u>		<u>Advisory 2015</u>
<u>Capital Charges</u>							
(A) Municipal and Industrial - Long Term Subcontract ⁵	\$ 15	\$	15	\$	20	\$	21
<u>Delivery Charges</u>							
(B) Fixed OM&R ⁶	\$ 73	\$	76	\$	79	\$	83
(C) Pumping Energy Rate 1 ⁷	49		53		67		74
(D) Property Tax Equivalency ⁸	28		24		23		24

Long-Term Municipal and Industrial (M&I) Subcontract: M&I subcontractors.

Non-Subcontract: M&I users who are not subcontractors and the CAGR D.

Recharge (AWBA/CAGR D and M&I Underground Water Storage): The Arizona Water Banking Authority, M&I subcontractors, BOR and other Arizona entities who have valid Arizona Department of Water Resources permits and accrue long-term recharge/storage credits from this activity.

DIRECT UNDERGROUND WATER STORAGE

Units = \$/acre-foot

<u>Underground Water Storage O&M</u> ⁹							
Phoenix AMA	\$ 8	\$	8	\$	8	\$	9
Tucson AMA	15		15		15		15
<u>Underground Water Storage Capital Charge</u> ¹⁰							
Phoenix AMA	\$ 15	\$	15	\$	15	\$	15
Tucson AMA	9		9		9		9

**CENTRAL ARIZONA PROJECT
FINAL 2014 - 2015 RATE SCHEDULE**

Approved
June 6, 2013

CENTRAL ARIZONA GROUNDWATER REPLENISHMENT DISTRICT ASSESSMENT RATES

Units = \$/acre-foot

	<u>2011/12</u>	<u>2012/13</u>	Firm <u>2013/14</u>	Advisory <u>2014/15</u>
<u>Phoenix Active Management Area</u>				
Water & Replenishment Component ¹¹	\$ 140	\$ 137	\$ 160	\$ 173
Administrative Component ¹²	42	44	45	45
Infrastructure & Water Rights Component ¹³	170	204	245	294
Replenishment Reserve Charge ¹⁴	51	52	58	63
Total Assessment Rate (\$/AF)	\$ 403	\$ 437	\$ 508	\$ 575
<u>Pinal Active Management Area</u>				
Water & Replenishment Component ¹¹	\$ 116	\$ 117	\$ 140	\$ 153
Administrative Component ¹²	42	44	45	45
Infrastructure & Water Rights Component ¹³	170	204	245	294
Replenishment Reserve Charge ¹⁴	53	56	65	70
Total Assessment Rate (\$/AF)	\$ 381	\$ 421	\$ 495	\$ 562
<u>Tucson Active Management Area</u>				
Water & Replenishment Component ¹¹	\$ 155	\$ 161	\$ 183	\$ 195
Administrative Component ¹²	42	44	45	45
Infrastructure & Water Rights Component ¹³	170	204	245	294
Replenishment Reserve Charge ¹⁴	60	65	75	80
Total Assessment Rate (\$/AF)	\$ 427	\$ 474	\$ 548	\$ 614
<u>Contract Replenishment Tax - Scottsdale</u> ¹⁵				
Cost of Water	\$ 137	\$ 137	\$ 144	\$ 166
Cost of Transportation	0	0	0	0
Cost of Replenishment	0	0	0	0
Administrative Component ¹²	42	44	45	45
Total Tax Rate (\$/AF)	\$ 179	\$ 181	\$ 189	\$ 211

ENROLLMENT & ACTIVATION FEES

Units = \$/Housing Unit

Enrollment Fee ¹⁶	\$ 138	\$ 165	\$ 198	\$ 237
Activation Fee ¹⁶	\$ 136	\$ 163	\$ 196	\$ 235

ANNUAL MEMBERSHIP DUES

<u>Member Land Annual Membership Dues (\$/Lot)</u> ¹⁷				
Phoenix Active Management Area	\$ 6.88	\$ 9.87	\$ 13.19	\$ 17.91
Pinal Active Management Area	\$ 0.90	\$ 1.29	\$ 1.74	\$ 2.41
Tucson Active Management Area	\$ 4.34	\$ 6.24	\$ 8.38	\$ 11.53
<u>Member Service Area Annual Membership Dues (\$/AF)</u> ¹⁷				
	\$ 10.35	\$ 14.88	\$ 20.08	\$ 27.91

**CENTRAL ARIZONA PROJECT
FINAL 2014 - 2015 RATE SCHEDULE**

NOTES:

- 1) Does not include the Capital Charge.
- 2) This rate applies to all recharge customers. Rules regarding the eligibility for and use of this class are shown on page 1.
- 3) The rate is obtained by adding the Fixed OM&R component, the Pumping Energy Rate 1 component, the M&I Capital Charge and an equivalency tax component.
- 4) Rate is the Pumping Energy Rate 1 component. Incentives may be earned for meeting delivery goals in three areas. Any incentives earned are applied to Settlement Pool deliveries.
- 5) For M&I subcontract water, the Capital Charge is paid on full allocation regardless of amount delivered and not included in delivery rates.
- 6) Fixed O&M costs divided by projected total water volumes plus components to fund capital replacements and a rate stabilization reserve. This amount is collected on all ordered water whether delivered or not.
- 7) Applies to all water deliveries. The calculation is pumping energy costs divided by projected volumes. This amount is collected only for water actually delivered as opposed to scheduled.
- 8) The rate is based upon the tax levy for the previous elapsed tax year divided by the average water deliveries (excluding Federal deliveries and water storage credits) for the three previous completed delivery years (e.g., for 2012, the tax equivalency is the levy for the 2010-2011 tax year divided by the average water deliveries for 2008, 2009 and 2010). The Provisional and Advisory Rates are estimates.
- 9) Underground Water Storage O&M is paid by all direct recharge customers using CAP recharge sites.
- 10) Underground Water Storage Capital Charge is paid by all direct recharge customers except AWBA for M&I firming, the CAGR, municipal providers within the CAP service area and co-owners of CAWCD recharge facilities using no more than their share of capacity.
- 11) The Water & Replenishment Component is designed to cover the projected annual costs of satisfying replenishment obligations, including the purchase of long-term storage credits (LTSC) and the purchase and replenishment of water and effluent. The total volume of water to be purchased and replenished includes a sufficient volume to offset losses incurred during the replenishment process (generally 1% to 2.5%). For the Phoenix Active Management Area (AMA), replenishment is planned to be accomplished at direct underground storage facilities (USFs) and groundwater savings facilities (GSFs). For the Pinal AMA, replenishment is planned to be accomplished at GSFs. For the Tucson AMA, replenishment is planned to be accomplished at USFs.
- 12) The Administrative Component is designed to cover all CAGR administrative costs, except labor related costs associated with the acquisition of water rights and infrastructure. A \$2/AF has been added to this component to help fund the CAGR conservation program.
- 13) The Infrastructure & Water Rights Component is designed to generate funds to purchase long-term rights to water, and construct additional infrastructure facilities as the need arises.
- 14) The Replenishment Reserve Charge is designed to cover costs associated with establishing a replenishment reserve of LTSCs as required by statutes. Water will be stored at a combination of USFs and GSFs in the Phoenix AMA, and at USFs the Tucson AMA. In the Pinal AMA, LTSCs will be purchased from CAP in accordance with Board policy adopted on October 6, 2005. This charge will be levied as provided in ARS Sections 48-3774.01 and 48-3780.01.
- 15) The components of the Contract Replenishment Tax - Scottsdale reflect the provisions in the Water Availability Status Contract to Replenish Groundwater between CAWCD and Scottsdale. The rates reflect the assumption that Non-Subcontract CAP water will be available to meet the associated contract replenishment obligations.
- 16) The Enrollment Fee and Activation Fee reflect the fees established pursuant to the CAGR Enrollment Fee and Activation Fee Policy adopted by the Board on May 1, 2008. A \$2 per housing unit is included in the Enrollment Fee to help fund CAGR's conservation program.
- 17) The Annual Membership Dues for Member Lands and Member Service Areas reflect the fees established pursuant to ARS Sections 48-3772.A.8. and 48-3779 as well as the Policy on Collection of CAGR Annual Membership Dues adopted by the Board on April 7, 2011.

**CENTRAL ARIZONA PROJECT
FINAL 2013 - 2018 RATE SCHEDULE**

DELIVERY RATES FOR VARIOUS CLASSES OF WATER SERVICE

Units = \$/ acre-foot

(The Letter Designations in the Formulas Refer to the Rate Components Shown Below)

	2012	Firm 2013	Provi- sional 2014	Advisory			
				2015	2016	2017	2018
<u>Municipal and Industrial</u>							
Long Term Subcontract (B+C) ¹	\$ 122	\$ 129	\$ 138	\$ 149	\$ 155	\$ 159	\$ 160
Non-Subcontract (A+B+C)	137	144	154	166	173	177	178
Recharge (A+B+C) ²	137	144	154	166	173	177	178
AWBA Interstate Recharge (A+B+C+D) ³	165	168	177	190	198	204	208
<u>Federal</u> (B+C)	\$ 122	\$ 129	\$ 138	\$ 149	\$ 155	\$ 159	\$ 160
<u>Agricultural</u>							
Settlement Pool (C) ⁴	\$ 49	\$ 53	\$ 59	\$ 66	\$ 68	\$ 70	\$ 68
<u>Agricultural Incentives</u> ⁴							
Meet Settlement Pool Goals	(4)	(6)	(7)	(11)	(11)	(11)	(7)
Meet AWBA/CAGR D GSF Goals	(1)	(1)	(2)	(2)	(2)	(2)	(2)
Meet Recovery Goals	(1)	(1)	(2)	(2)	(2)	(2)	(2)

RATE COMPONENTS

Units = \$/acre-foot

Capital Charges

(A) Municipal and Industrial - Long Term Subcontract ⁵	\$ 15	\$ 15	\$ 16	\$ 17	\$ 18	\$ 18	\$ 18
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Delivery Charges

(B) Fixed OM&R ⁶	\$ 73	\$ 76	\$ 79	\$ 83	\$ 87	\$ 89	\$ 92
(C) Pumping Energy Rate ⁷	49	53	59	66	68	70	68
(D) Property Tax Equivalency ⁸	28	24	23	24	25	27	30

Qualifications for Various Classes of Water Service

Long-Term Municipal and Industrial (M&I) Subcontract: M&I subcontractors.

Non-Subcontract: M&I users who are not subcontractors and the CAGR D.

Recharge (AWBA/CAGR D and M&I Underground Water Storage): The Arizona Water Banking Authority and M&I subcontractors and other Arizona entities who have valid Arizona Department of Water Resources permits and accrue long-term recharge/storage credits from this activity.

DIRECT UNDERGROUND WATER STORAGE

Units = \$/acre-foot

Underground Water Storage O&M ⁹

Phoenix AMA	\$ 8	\$ 8	\$ 8	\$ 9	\$ 9	\$ 10	\$ 10
Tucson AMA	15	15	15	15	15	15	15

Underground Water Storage Capital Charge ¹⁰

Phoenix AMA	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15
Tucson AMA	9	9	9	9	9	9	9

**CENTRAL ARIZONA PROJECT
FINAL 2013 - 2018 RATE SCHEDULE**

CENTRAL ARIZONA GROUNDWATER REPLENISHMENT DISTRICT ASSESSMENT RATES

Units = \$/acre-foot

	2011/12	Firm 2012/13	Provi- sional 2013/14	Advisory			
				2014/15	2015/16	2016/17	2017/18
Phoenix Active Management Area							
Water & Replenishment Component ¹¹	\$ 140	\$ 137	\$ 148	\$ 161	\$ 168	\$ 171	\$ 177
Administrative Component ¹²	42	44	45	45	45	41	37
Infrastructure & Water Rights Component ¹³	170	204	245	294	353	353	353
Replenishment Reserve Charge ¹⁴	51	52	54	59	62	63	66
Total Assessment Rate (\$/AF)	\$ 403	\$ 437	\$ 492	\$ 559	\$ 628	\$ 628	\$ 633
Pinal Active Management Area							
Water & Replenishment Component ¹¹	\$ 116	\$ 117	\$ 128	\$ 141	\$ 148	\$ 152	\$ 154
Administrative Component ¹²	42	44	45	45	45	41	37
Infrastructure & Water Rights Component ¹³	170	204	245	294	353	353	353
Replenishment Reserve Charge ¹⁴	53	56	60	65	69	76	76
Total Assessment Rate (\$/AF)	\$ 381	\$ 421	\$ 478	\$ 545	\$ 615	\$ 622	\$ 620
Tucson Active Management Area							
Water & Replenishment Component ¹¹	\$ 155	\$ 161	\$ 171	\$ 183	\$ 190	\$ 194	\$ 197
Administrative Component ¹²	42	44	45	45	45	41	37
Infrastructure & Water Rights Component ¹³	170	204	245	294	353	353	353
Replenishment Reserve Charge ¹⁴	60	65	69	74	78	80	84
Total Assessment Rate (\$/AF)	\$ 427	\$ 474	\$ 530	\$ 596	\$ 666	\$ 668	\$ 671
Contract Replenishment Tax - Scottsdale ¹⁵							
Cost of Water	\$ 137	\$ 137	\$ 144	\$ 154	\$ 166	\$ 173	\$ 177
Cost of Transportation	0	0	0	0	0	0	0
Cost of Replenishment	0	0	0	0	0	0	0
Administrative Component ¹²	42	44	45	45	45	41	37
Total Tax Rate (\$/AF)	\$ 179	\$ 181	\$ 189	\$ 199	\$ 211	\$ 214	\$ 214

ENROLLMENT & ACTIVATION FEES

Units = \$/Housing Unit

Enrollment Fee ¹⁶	\$ 138	\$ 165	\$ 198	\$ 237	\$ 284	n.a.	n.a.
Activation Fee ¹⁶	\$ 136	\$ 163	\$ 196	\$ 235	\$ 282	\$ 282	\$ 282

ANNUAL MEMBERSHIP DUES

Member Land Annual Membership Dues (\$/Lot) ¹⁷

Phoenix Active Management Area	\$ 6.88	\$ 9.87	\$ 13.19	\$ 17.91	TBD	TBD	TBD
Pinal Active Management Area	\$ 0.90	\$ 1.29	\$ 1.74	\$ 2.41	TBD	TBD	TBD
Tucson Active Management Area	\$ 4.34	\$ 6.24	\$ 8.38	\$ 11.53	TBD	TBD	TBD

Member Service Area Annual Membership Dues (\$/AF) ¹⁷

	\$10.35	\$14.88	\$20.08	\$27.91	TBD	TBD	TBD
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**CENTRAL ARIZONA PROJECT
FINAL 2013 - 2018 RATE SCHEDULE**

NOTES:

- 1 Does not include the Capital Charge.
- 2 This rate applies to all recharge customers. Rules regarding the eligibility for and use of this class are shown on page 1.
- 3 The rate is obtained by adding the Fixed OM&R component, the Pumping Energy Rate 1 component, the M&I Capital Charge and an equivalency tax component.
- 4 Rate is the Pumping Energy Rate 1 component. Incentives may be earned for meeting delivery goals in three areas. Any incentives earned are applied to Settlement Pool deliveries.
- 5 For M&I subcontract water, the Capital Charge is paid on full allocation regardless of amount delivered and not included in delivery rates.
- 6 Fixed O&M costs divided by projected total water volumes plus components to fund capital replacements and a rate stabilization reserve. This amount is collected on all ordered water whether delivered or not.
- 7 Applies to all water deliveries. The calculation is pumping energy costs divided by projected volumes. This amount is collected only for water actually delivered as opposed to scheduled.
- 8 The rate is based upon the tax levy for the previous elapsed tax year divided by the average water deliveries (excluding Federal deliveries and water storage credits) for the three previous completed delivery years (e.g., for 2012, the tax equivalency is the levy for the 2010-2011 tax year divided by the average water deliveries for 2008, 2009 and 2010). The Provisional and Advisory Rates are estimates. Note the 2012 rate has been revised.
- 9 Underground Water Storage O&M is paid by all direct recharge customers using CAP recharge sites.
- 10 Underground Water Storage Capital Charge is paid by all direct recharge customers except AWBA for M&I firming, the CAGRDR, municipal providers within the CAP service area and co-owners of CAWCD recharge facilities using no more than their share of capacity.
- 11 The Water & Replenishment Component is designed to cover the projected annual costs of satisfying replenishment obligations, including the purchase of long-term storage credits (LTSC) and the purchase and replenishment of water and effluent. The total volume of water to be purchased and replenished includes a sufficient volume to offset losses incurred during the replenishment process (generally 1% to 2.5%). For the Phoenix Active Management Area (AMA), replenishment is planned to be accomplished at direct underground storage facilities (USFs) and groundwater savings facilities (GSFs). For the Pinal AMA, replenishment is planned to be accomplished at GSFs. For the Tucson AMA, replenishment is planned to be accomplished at USFs.
- 12 The Administrative Component is designed to cover all CAGRDR administrative costs, except labor related costs associated with the acquisition of water rights and infrastructure. A \$2/AF has been added to this component to help fund the CAGRDR conservation program.
- 13 The Infrastructure & Water Rights Component is designed to generate funds to purchase long-term rights to water, and construct additional infrastructure facilities as the need arises.
- 14 The Replenishment Reserve Charge is designed to cover costs associated with establishing a replenishment reserve of LTSCs as required by statutes. Water will be stored at a combination of USFs and GSFs in the Phoenix AMA, and at USFs in the Tucson AMA. In the Pinal AMA, LTSCs will be purchased from CAP in accordance with Board policy adopted on October 6, 2005. This charge will be levied as provided in ARS Sections 48-3774.01 and 48-3780.01.
- 15 The components of the Contract Replenishment Tax - Scottsdale reflect the provisions in the Water Availability Status Contract to Replenish Groundwater between CAWCD and Scottsdale. The rates reflect the assumption that Non-Subcontract CAP water will be available to meet the associated contract replenishment obligations.
- 16 The Enrollment Fee and Activation Fee reflect the fees established pursuant to the CAGRDR Enrollment Fee and Activation Fee Policy adopted by the Board on May 1, 2008. A \$2 per housing unit is included in the Enrollment Fee to help fund CAGRDR's conservation program.
- 17 The Annual Membership Dues for Member Lands and Member Service Areas reflect the fees established pursuant to ARS Sections 48-3772.A.8. and 48-3779 as well as the Policy on Collection of CAGRDR Annual Membership Dues adopted by the Board on April 7, 2011.

**CENTRAL ARIZONA PROJECT
FINAL 2011/2012 RATE SCHEDULE**

DELIVERY RATES FOR VARIOUS CLASSES OF WATER SERVICE

Units = \$/ acre-foot

(The Letter Designations in the Formulas Refer to the Rate Components Shown Below)

	2010	Firm 2011	Provi- sional 2012	Advisory			
				2013	2014	2015	2016
<u>Municipal and Industrial</u>							
Long Term Subcontract (B+C) ¹	\$ 118	\$ 122	\$ 122	\$ 126	\$ 129	\$ 137	\$ 141
Non-Subcontract (A+B+C)	133	137	137	141	139	142	141
Recharge (A+B+C starting 2011) ²	133	137	137	141	139	142	141
AWBA Interstate Recharge (A+B+E+F starting 2011) ³	236	167	163	164	162	166	167
<u>Federal</u> (B+C)	\$ 118	\$ 122	\$ 122	\$ 126	\$ 129	\$ 137	\$ 141
<u>Agricultural</u>							
Settlement Pool (C) ⁴	\$ 49	\$ 53	\$ 49	\$ 50	\$ 51	\$ 56	\$ 58
<u>Agricultural Incentives</u> ⁴							
Meet Settlement Pool Goals	(6)	(8)	(4)	tbd	tbd	tbd	tbd
Meet AWBA/CAGR D GSF Goals	(2)	(2)	(1)	tbd	tbd	tbd	tbd
Meet Recovery Goals	(2)	(2)	(1)	tbd	tbd	tbd	tbd

RATE COMPONENTS

Units = \$/acre-foot

	2010	Firm 2011	Provi- sional 2012	Advisory			
				2013	2014	2015	2016
<u>Capital Charges</u>							
(A) Municipal and Industrial - Long Term Subcontract ⁵	\$ 15	\$ 15	\$ 15	\$ 15	\$ 10	\$ 5	\$ -
<u>Delivery Charges</u>							
(B) Fixed OM&R ⁶	\$ 69	\$ 69	\$ 73	\$ 76	\$ 78	\$ 81	\$ 83
(C) Pumping Energy Rate 1 ⁷	49	53	49	50	51	56	58
(D) Pumping Energy Rate 2 ⁸	85	n/a	n/a	n/a	n/a	n/a	n/a
(E) Pumping Energy Rate 3 ⁹	122	n/a	n/a	n/a	n/a	n/a	n/a
(F) Property Tax Equivalency ¹⁰	30	30	26	23	23	24	26

Qualifications for Various Classes of Water Service

Long-Term Municipal and Industrial (M&I) Subcontract: M&I subcontractors.

Non-Subcontract: M&I users who are not subcontractors and the CAGR D.

Recharge (AWBA/CAGR D and M&I Underground Water Storage): The Arizona Water Banking Authority and M&I subcontractors and other Arizona entities who have valid Arizona Department of Water Resources permits and accrue long-term recharge/storage credits from this activity.

**CENTRAL ARIZONA PROJECT
FINAL 2011/2012 RATE SCHEDULE**

DIRECT UNDERGROUND WATER STORAGE

Units = \$/acre-foot

	2010	Firm 2011	Provi- sional 2012	Advisory			
				2013	2014	2015	2016
<u>Underground Water Storage O&M</u> ¹¹							
Phoenix AMA	\$ 8	\$ 8	\$ 8	\$ 8	\$ 8	\$ 8	\$ 8
Tucson AMA	15	15	15	15	15	15	15
<u>Underground Water Storage Capital Charge</u> ¹²							
Phoenix AMA	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15
Tucson AMA	9	9	9	9	9	9	9

CENTRAL ARIZONA GROUNDWATER REPLENISHMENT DISTRICT ASSESSMENT RATES

Units = \$/acre-foot

	2009/10	Firm 2010/11	2011/12	2012/13	Advisory		
					2013/14	2014/15	2015/16
<u>Phoenix Active Management Area</u>							
Water & Replenishment Component ¹³	\$ 143	\$ 140	\$ 140	\$ 140	\$ 144	\$ 157	\$ 156
Administrative Component ¹⁴	33	38	42	44	44	44	44
Infrastructure & Water Rights Component ¹⁵	101	131	170	204	245	294	353
Replenishment Reserve Charge ¹⁶	41	47	51	54	54	55	55
Total Assessment Rate (\$/AF)	\$ 318	\$ 356	\$ 403	\$ 442	\$ 487	\$ 550	\$ 608
<u>Pinal Active Management Area</u>							
Water & Replenishment Component ¹³	\$ 107	\$ 110	\$ 116	\$ 120	\$ 121	\$ 133	\$ 128
Administrative Component ¹⁴	33	38	42	44	44	44	44
Infrastructure & Water Rights Component ¹⁵	101	131	170	204	245	294	353
Replenishment Reserve Charge ¹⁶	38	45	53	61	60	61	61
Total Assessment Rate (\$/AF)	\$ 279	\$ 324	\$ 381	\$ 429	\$ 470	\$ 532	\$ 586
<u>Tucson Active Management Area</u>							
Water & Replenishment Component ¹³	\$ 153	\$ 155	\$ 155	\$ 161	\$ 164	\$ 166	\$ 163
Administrative Component ¹⁴	33	38	42	44	44	44	44
Infrastructure & Water Rights Component ¹⁵	101	131	170	204	245	294	353
Replenishment Reserve Charge ¹⁶	46	53	60	65	61	59	57
Total Assessment Rate (\$/AF)	\$ 333	\$ 377	\$ 427	\$ 474	\$ 514	\$ 563	\$ 617
<u>Contract Replenishment Tax - Scottsdale</u> ¹⁷							
Cost of Water	\$ 126	\$ 133	\$ 137	\$ 137	\$ 141	\$ 139	\$ 142
Cost of Transportation	0	0	0	0	0	0	0
Cost of Replenishment	0	0	0	0	0	0	0
Administrative Component ¹⁴	33	38	42	44	44	44	44
Total Tax Rate (\$/AF)	\$ 159	\$ 171	\$ 179	\$ 181	\$ 185	\$ 183	\$ 186

ENROLLMENT & ACTIVATION FEES

Units = \$/Housing Unit

Enrollment Fee ¹⁸	\$ 83	\$ 107	\$ 138	\$ 165	\$ 198	\$ 237	\$ 284
Activation Fee ¹⁸	\$ 81	\$ 105	\$ 136	\$ 163	\$ 196	\$ 235	\$ 282

**CENTRAL ARIZONA PROJECT
FINAL 2011/2012 RATE SCHEDULE**

NOTES:

- 1 Does not include the Capital Charge.
- 2 Rate is equal to M&I rate starting in 2011. This rate applies to all recharge customers. Rules regarding the eligibility for and use of this class are shown on page 1. For 2010, the recharge rate consists of Energy Rate 2 and a contribution toward covering a portion of the Fixed OM&R Rate.
- 3 The 2010 rate is obtained by adding the Fixed OM&R component, the Pumping Energy Rate 3 component, the M&I Capital Charge and an equivalency tax component. Starting in 2011 Pumping Energy Rate 1 replaces Pumping Energy Rate 3 as a rate component.
- 4 Rate is the Pumping Energy Rate 1 component. Incentives may be earned for meeting delivery goals in three areas. Any incentives earned can be applied to Settlement Pool deliveries.
- 5 Capital Charge is paid on full allocation regardless of amount delivered; not included in delivery rates.
- 6 Fixed O&M costs divided by projected total water volumes plus a component to fund capital replacements. This amount is collected on all ordered water whether delivered or not.
- 7 Applies to all water deliveries starting in 2011. For 2010, water volumes were excluded for Recharge, AWBA Interstate and SRP bring-your-own power acre-feet. The calculation is pumping energy costs divided by projected volumes. This amount is collected only for water actually delivered as opposed to scheduled.
- 8 Energy Rate 2 is eliminated starting in 2011 due to new power agreements.
- 9 Energy Rate 3 is eliminated starting in 2011 due to new power agreements.
- 10 The rate is based upon the tax levy for the previous elapsed tax year divided by the average water deliveries (excluding Federal deliveries and water storage credits) for the three previous completed delivery years (e.g., for 2010, the tax equivalency is the levy for the 2008-2009 tax year divided by the average water deliveries for 2006, 2007 and 2008). The Advisory Rates are estimates. Note the 2010 rate has been revised.
- 11 Underground Water Storage O&M is paid by all direct recharge customers using CAP recharge sites.
- 12 Underground Water Storage Capital Charge is paid by all direct recharge customers except AWBA for M&I firming, the CAGRDR, municipal providers within the CAP service area and co-owners of CAWCD recharge facilities using no more than their share of capacity.
- 13 The Water & Replenishment Component is designed to cover the projected annual costs of satisfying replenishment obligations, including the purchase of long-term storage credits (LTSC) and the purchase and replenishment of water and effluent. The total volume of water to be purchased and replenished includes a sufficient volume to offset losses incurred during the replenishment process (generally 1% to 2.5%). For the Phoenix Active Management Area (AMA), replenishment will be accomplished at direct underground storage facilities (USFs) and groundwater savings facilities (GSFs) as well as through the use of LTSCs purchased from others. For the Pinal AMA, replenishment will be accomplished at GSFs. For the Tucson AMA, replenishment will be accomplished at USFs as well as through the use of LTSCs purchased from others.
- 14 The Administrative Component is designed to cover all CAGRDR administrative costs. A \$2/AF has been added to this component to help fund the CAGRDR conservation program.
- 15 The Infrastructure & Water Rights Component is designed to generate funds to purchase long-term rights to water, and construct additional infrastructure facilities as the need arises in the future.
- 16 The Replenishment Reserve Charge is designed to cover costs associated with establishing a replenishment reserve of LTSCs as required by statutes. Water will be stored at a combination of USFs and GSFs in the Phoenix and Tucson AMAs. LTSCs purchased from CAP and others will also be used to help establish the replenishment reserve in the Phoenix and Tucson AMAs. In the Pinal AMA, LTSCs will be purchased from CAP in accordance with Board policy adopted on October 6, 2005. This charge will be levied as provided in ARS Sections 48-3774.01 and 48-3780.01.
- 17 The components of the Contract Replenishment Tax - Scottsdale reflect the provisions in the Water Availability Status Contract to Replenish Groundwater between CAWCD and Scottsdale. The rates reflect the assumption that Non-Subcontract CAP water will be available to meet the associated contract replenishment obligations.
- 18 The Enrollment Fee and Activation Fee reflect the fees established pursuant to the CAGRDR Enrollment Fee and Activation Fee Policy adopted by the Board on May 1, 2008. A \$2 per housing unit is included in the Enrollment Fee to help fund CAGRDR's conservation program.

**CENTRAL ARIZONA WATER
CONSERVATION DISTRICT**

**FINANCIAL STATEMENTS AND
OTHER FINANCIAL INFORMATION**
Years Ended December 31, 2009 and 2008

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Independent Auditor's Report

The Board of Directors
Central Arizona Water Conservation District

We have audited the accompanying balance sheets of Central Arizona Water Conservation District (the District) as of December 31, 2009 and 2008, and the related statements of revenue, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central Arizona Water Conservation District as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As more fully discussed in Note 2 to the financial statements, the District adopted the provision of Statement of Governmental Accounting Standards No. 51, *Accounting and Financial Reporting for Intangible Assets*, effective January 1, 2009, which resulted in the recording of a prior period adjustment.

Management's discussion and analysis on pages 3 through 16 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Continued

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Central Arizona Water Conservation District as of and for the year ended December 31, 2009, taken as a whole. The other financial information on pages 53 to 58 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other financial information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Other District Information section on pages 59 through 80 has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Clifton Gunderson LLP

Phoenix, Arizona
April 22, 2010

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2009 and 2008**

The management of Central Arizona Water Conservation District (the District or CAWCD) offer the readers of CAWCD's financial statements this analysis and overview of the financial activities for the calendar years ended December 31, 2009 and 2008. Readers are encouraged to consider the information presented here in conjunction with the District's financial statements, including accompanying notes, to enhance their understanding of the District's financial performance. The narrative will guide the readers through the District's financial performance and how it relates to CAWCD's stewardship of Central Arizona's Colorado River water entitlement and its vision to enhance the quality of life and ensure sustainable growth for current and future residents of Arizona.

FINANCIAL HIGHLIGHTS

The District's financial results are largely impacted by rainfall and snowfall levels which affect customer water delivery needs. Other factors impacting the District's financial position include fluctuations in property valuations and power usage. The following are some of the key highlights for the year ended 2009. A more detailed narrative analysis occurs in the Condensed Financial Information section.

- Assets of the District exceeded liabilities (net assets) at the end of 2009 by \$448.8 million, an increase of \$49.9 million over 2008.
- The District's unrestricted cash reserve balance at the end of 2009 was \$51.3 million compared to \$46.1 million at the end of 2008. The unrestricted reserves or working capital reserves are used to meet CAWCD's ongoing obligations to customers and creditors.
- Operating revenues increased \$28.7 million in 2009 and had decreased \$58.3 million in 2008.
- Operating expenses increased \$12.1 million in 2009 and \$5.5 million in 2008.
- Non-operating revenues increased \$6.0 million in 2009 and decreased \$13.1 million in 2008.
- Non-operating expenses, mostly interest expense due to the annual repayment and revenue bonds, decreased \$3.6 million in 2009 as compared to a \$1.7 million decrease in 2008.
- Capital expenditures for 2009 were \$21.6 million and \$48.4 million in 2008, a \$26.8 million decrease from 2008. In 2008, CAWCD entered into a contract to fund a portion of the construction of the Lower Colorado River (LCR) Drop 2 Reservoir. The LCR Drop 2 Reservoir will store ordered but unused Colorado River water that would otherwise flow to Mexico, and improve operational control on the Lower Colorado River. CAWCD contributed \$28.7 million of which \$1.6 million was setup as a receivable from Southern Nevada Water Authority in 2009 due to a refund notification.
- In 2009, the District discharged the Series A Bonds as the bonds were fully funded. The S&P rating on the revenue bonds was raised to 'AA' from 'AA-'.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2009 and 2008**

DISCUSSION OF BASIC FINANCIAL STATEMENTS

CAWCD's annual financial reporting includes three basic financial statements and accompanying notes as required for an enterprise fund. The District reports on a calendar year basis and all financial statements are presented on a comparative basis for 2009 and 2008. This annual financial report includes the following statements:

STATEMENT	DESCRIPTION
Balance Sheets	A snapshot of the District's resources (assets) and obligations (liabilities) as of the last day of the calendar year. The difference between the assets and liabilities is the District's net assets.
Statements of Revenues, Expenses, and Changes in Net Assets	Lists the District's revenue (income) and expenses, both operating and non-operating for a calendar year. A positive change in net assets signifies that the District received revenue in excess of the funds needed to cover expenses.
Statements of Cash Flows	Provides, on a cash basis, information on the District's cash receipts (sources of cash) and cash disbursements (uses of cash) for the calendar year as they apply to operating, investing, and capital and non-capital financing activities. The statements include reconciliations to the changes in net assets (accrual basis) and the balance of cash and cash equivalents.

The Management's Discussion and Analysis (MD&A) will cover portions of each of these statements and provide the reader condensed summaries with each section to make the discussions easier to follow. For more detailed information on the District's financial activities, separated by funds, see the consolidating balance sheets and statements of revenues, expenses and changes in net assets in the Other Financial Information section located after the Notes to the Financial Statements.

The District's activities are accounted for using the accrual method and incorporate the requirements of GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Under enterprise fund accounting, the District is a single accounting entity for financial reporting purposes and is similar to a private business enterprise. However, within this single accounting entity, the District has identified a number of financial activities that are useful to track separately. We refer to these activities as "funds and accounts." The District is not required to, and does not, publish separate financial statements for any of the individual funds and accounts except for the consolidating statements mentioned in the previous paragraph. The CAWCD Insurance Company, Inc., a blended component unit of CAWCD, also referred to as the Captive Insurance Company (Captive), is required, under the corporation laws for the State of Hawaii, to conduct its own external audit and publish its own audited financial statements.

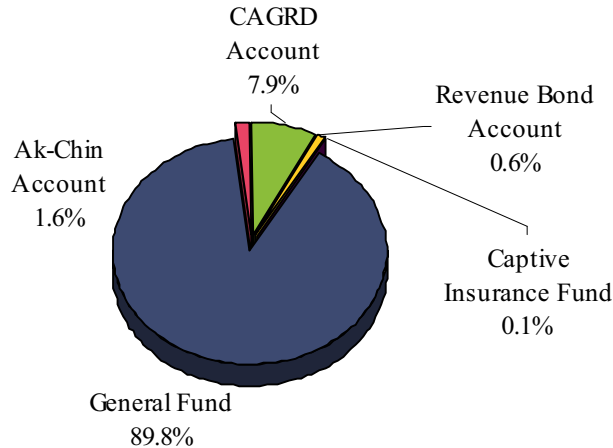
**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2009 and 2008**

FUND/ACCOUNT	DESCRIPTION
General Fund	CAWCD's core business activities including the delivery of Colorado River water to central Arizona through the Central Arizona Project (CAP) canal and repayment of reimbursable construction costs to the Department of the Interior - Bureau of Reclamation. The General Fund is the largest fund within the District.
Ak-Chin Account	The Ak-Chin account includes activities related to a trust fund established by Section 7 of Public Law 98-530 and ARS § 45-3715.01 to acquire or conserve water to supplement Colorado River supplies. Funds are held by the Arizona State Treasurer.
Central Arizona Groundwater Replenishment District Account	The Central Arizona Groundwater Replenishment District (CAGR) was established in 1993 as authorized by ARS § 48-3771, et seq. The CAGR is a replenishment authority designed to help water providers and landowners comply with the State's Assured Water Supply Rules and to meet the objectives of the 1980 Groundwater Management Act.
Revenue Bond Accounts	The District's enabling act of 1986 provided the District with revenue bonding authority. The contract revenue bonds were issued and sold to fund CAWCD's share of the construction of the New Waddell Dam. Currently there is only one bond series remaining that has been discharged as it is fully funded.
Captive Insurance Company	CAWCD Insurance Company, Inc., aka Captive Insurance Company, was established to provide a self-insurance mechanism for CAWCD to fund claims for property and casualty insurance. The Captive is a tax exempt wholly-owned corporation formed in 2003.

Please refer to the Notes to the Financial Statements for additional, more detailed information on these funds and accounts. The following is a breakdown of the net assets of the various funds and accounts which indicates the relative size of each within the total net assets of CAWCD.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2009 and 2008**

**Fund-Account Net Assets Breakdown
as of 12/31/09**



CONDENSED FINANCIAL INFORMATION

The following financial information and narrative will provide the reader with an overview of the District's financial activities, including comparisons, for the years ended December 31, 2009, December 31, 2008 and December 31, 2007. This discussion will highlight areas within the financial statements that support and advance CAWCD's operations and business purpose to the residents of the State of Arizona.

Assets

Current Assets: Current assets include cash, receivables, inventory and other current assets. In 2009, current assets increased by \$38.9 million. The largest increase was in the water storage tax accounts, which increased \$23.7 million during 2009. The water storage tax is collected at the same rate for all three counties. Pinal County has the highest need based on its tax base and requirements, so the tax is set at the highest authorized level of \$0.04 per \$100 of assessed valuation. This tax rate causes the Maricopa County account to increase significantly year over year. Also, there was a reduction in water available for the Arizona Water Banking Authority in Maricopa and Pima counties, which resulted in less money being expended. Other cash and investments increased an additional \$4.5 million. In addition, there was an increase of \$7.3 million in water inventory, mostly attributable to Lake Pleasant. The District was also notified that it is receiving a refund of \$1.6 million for the investment in the Drop 2 Reservoir that increases receivables. Other receivables increased \$2.4 million. Other Current Assets decreased by \$0.6 million.

In 2008, current assets decreased by \$20.3 million. Cash and investments decreased by \$19.9 million. The majority of the decrease came from CAWCD's contribution of \$28.7 million in May 2008 to fund the LCR Drop 2 Reservoir. These decreases were offset by a \$25.0 million increase in the water storage tax. Additional decreases were related to the repayment of the federal obligation and a \$1.9 million write off attributed to the Lehman Brothers bankruptcy. Other changes were a \$3.7 million decrease in accounts receivables and interest receivables, a \$2.3 million increase in water inventory and a \$1.0 million increase in prepaid invoices.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2009 and 2008**

Noncurrent Assets: Included in the noncurrent assets are funds held by/advanced to the federal government, investments and restricted assets, water rights, and capital assets. The largest capital asset is the permanent service right (PSR) and for this reason is broken out in the table below. The PSR represents the District's right to operate and maintain the CAP system and collect revenues from operations, for which the District has incurred a repayment obligation to the United States (see Notes 4 and 5 for detailed information). The PSR is amortized each year and consequently decreases year over year. Capital assets are discussed in more detail in the Capital Asset and Long-Term Debt Activity section of the MD&A.

In 2009, noncurrent assets decreased by \$8.8 million. In January, \$15.0 million was used from the capital reserve investment account for the annual repayment obligation, which was offset somewhat by \$3.2 million in favorable fair market adjustments during the year. This net decrease was offset by an increase in the restricted assets of \$11.5 million and are mainly related to power revenues and related interest being deposited into major repair and replacement reserves instead of being used for bond repayment obligations that have been fully funded and have been discharged. The PSR decreased by \$29.7 million and funds held by the federal government decreased by \$1.0 million. Other assets are primarily the Agricultural Water Rights, which increased by \$10.6 million due to the termination of the Arizona State Land 9(d) debt and the related increase in water rights that CAWCD is holding for future allocation. This noncurrent asset increase is offset by a related noncurrent liability of \$10.6 million in Non-Indian Agricultural (NIA) 9(d) debt. Capital assets increased by \$11.6 million in 2009.

In 2008, the change in the restricted assets is \$12 million of power revenues being deposited into major repair and replacement reserves instead of being used for bond repayment obligations that have been reduced and was offset by negative fair value adjustments on funds held by the Arizona State Treasurer's office. Funds held by/advanced to federal government decreased by \$14.7 million mainly due to CAWCD's decision not to sell SO₂ credits owing to the temporary decline in market value.

<i>(Dollars in millions)</i>	2009	2008	Change	2008	2007	Change
Current Assets						
Cash and cash equivalents	\$ 197.5	\$ 169.4	\$ 28.1	\$ 169.4	\$ 189.3	\$ (19.9)
Other current assets	69.6	58.8	10.8	58.8	59.2	(0.4)
Total Current Assets	267.1	228.2	38.9	228.2	248.5	(20.3)
Noncurrent Assets						
Funds held by /advanced to federal gov't	23.8	24.8	(1.0)	24.8	39.5	(14.7)
Investments and restricted assets	177.6	177.9	(0.3)	177.9	167.4	10.5
Capital assets, net	136.6	125.0	11.6	125.0	87.1	37.9
Permanent service right, net	1,309.3	1,339.0	(29.7)	1,339.0	1,369.7	(30.7)
Other assets	88.7	78.1	10.6	78.1	78.1	-
Total Noncurrent Assets	1,736.0	1,744.8	(8.8)	1,744.8	1,741.8	3.0
Total Assets	\$2,003.1	\$1,973.0	\$ 30.1	\$1,973.0	\$ 1,990.3	\$ (17.3)

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2009 and 2008**

Total Liabilities

Current Liabilities: Current liabilities include payables, deferred revenue, accrued interest, and current principal obligations. Overall, current liabilities increased by \$7.7 million in 2009. This increase is primarily due to a \$7.1 million increase in accounts payable and accrued payroll as well as a \$1.9 million increase in deferred revenue at the end of the year, which is mostly related to the change in the water rates. These increases were offset slightly by \$1.3 million decrease in interest payable.

Current liabilities decreased by \$2.5 million in 2008. Accounts payable decreased by \$3.8 million as a result of the lack of interstate water deliveries and lower over-threshold energy purchases in December (December purchases were made in November 2008 due to rate favorability). These decreases were offset by an increase in CAGR's replenishment obligation. Deferred revenue increased \$1.5 million, which is again mostly related to the change in the water rates.

Long-Term Liabilities: The largest component of the District's long-term liabilities is the federal repayment obligation. The decrease in the long-term federal repayment obligation was \$25.1 million in 2009 and \$25.2 million in 2008 in accordance with the annual payment schedule. The revenue bonds final payment is in 2010 and is classified as a current liability. The non-Indian agriculture 9(d) debt obligation increased \$10.6 million in 2009 as discussed in noncurrent assets.

<i>(Dollars in millions)</i>	2009	2008	Change	2008	2007	Change
Current Liabilities						
Accounts payable	\$ 38.0	\$ 30.9	\$ 7.1	\$ 30.9	\$ 34.7	\$ (3.8)
Water operations and capital charges deferred revenue	24.3	22.4	1.9	22.4	20.9	1.5
Other current liabilities	69.7	71.0	(1.3)	71.0	71.2	(0.2)
Total Current Liabilities	132.0	124.3	7.7	124.3	126.8	(2.5)
Noncurrent Liabilities						
Repayment obligation	1,321.2	1,346.3	(25.1)	1,346.3	1,371.5	(25.2)
Non-Indian Ag debt	88.7	78.1	10.6	78.1	78.1	-
Other noncurrent liabilities	12.4	25.4	(13.0)	25.4	35.3	(9.9)
Total Noncurrent Liabilities	1,422.3	1,449.8	(27.5)	1,449.8	1,484.9	(35.1)
Total Liabilities	\$ 1,554.3	\$ 1,574.1	\$ (19.8)	\$ 1,574.1	\$ 1,611.7	\$ (37.6)

Total Net Assets

Net assets, the difference between assets and liabilities, increased \$49.9 million (12.5%) in 2009 and increased \$20.3 million (5.4%) in 2008.

Investment in capital assets, net of related debt: Increased \$21.2 million in 2009 and \$45.4 million in 2008 as adjusted. Due to Government Accounting Standards Board No. 51, the Drop 2 Reservoir was reclassified into capital assets in 2009. The change was posted retroactively for comparison purposes (it was included in unrestricted net assets in the 2008 statements). The 2008 increase was mostly a result of this \$28.7 million investment. In addition, during 2009 CAGR's water rights were recorded for \$3.4 million in accordance with GASB 51 and other property and equipment (net) increased \$8.3 million. The revenue bonds accounts decreased \$14.0 million in 2009 and 2008 as the bond principal is being paid off. Offsetting these increases is a decrease in the net investment in the PSR. Currently, amounts

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2009 and 2008**

associated with the amortization of the PSR (asset) exceed the District's annual principal payment to the federal government for the repayment obligation (liability). The annual repayment obligation is based on paying a percentage (which increases over time) of the remaining outstanding principal balance, plus interest, over a 50-year period, while amortization remains relatively flat over time. Consequently, the asset is presently being amortized more quickly than the debt is being paid. As the payment percentage increases, the annual principal payment will exceed amortization.

Restricted net assets increased \$12.3 million in 2009 primarily due to the Major Repair/Replace reserve which increased due to power revenue payments (as indicated in noncurrent assets). Restricted net assets increased \$13.0 million in 2008 for mostly the same reason.

Unrestricted net assets: Increased \$16.4 million in 2009 and decreased \$31.1 million in 2008. The main reason for the 2009 increase is due to the timing of tax revenue and water changes as compared to the incurrence of expense. The 2008 decrease was a result of the LCR Drop 2 Reservoir payment from the District's Working Capital Reserve. The change in restricted and unrestricted net assets will fluctuate depending on operational needs and any Board actions.

<i>(Dollars in millions)</i>	2009	2008	Change	2008	2007	Change
Assets						
Capital Assets	\$ 1,445.9	\$ 1,463.9	\$ (18.0)	\$ 1,463.9	\$ 1,456.8	\$ 7.1
Other Assets	557.2	509.1	48.1	509.1	533.5	(24.4)
Total assets	2,003.1	1,973.0	30.1	1,973.0	1,990.3	(17.3)
Liabilities						
Current liabilities	132.0	124.3	7.7	124.3	126.8	(2.5)
Noncurrent liabilities	1,422.3	1,449.8	(27.5)	1,449.8	1,484.9	(35.1)
Total liabilities	1,554.3	1,574.1	(19.8)	1,574.1	1,611.7	(37.6)
Net Assets						
Invested in capital assets, net of related debt	85.8	64.6	21.2	64.6	19.2	45.4
Restricted, net	78.2	65.9	12.3	65.9	52.9	13.0
Unrestricted, net	284.8	268.4	16.4	268.4	306.5	(38.1)
Total net assets	448.8	398.9	49.9	398.9	378.6	20.3
Total liabilities & net assets	\$ 2,003.1	\$ 1,973.0	\$ 30.1	\$ 1,973.0	\$ 1,990.3	\$ (17.3)

Cash Flows

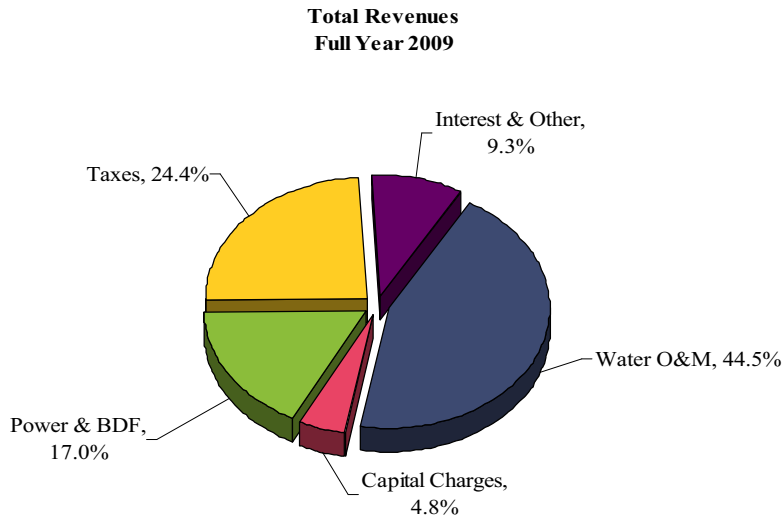
Cash flow from operating activities increased for 2009 mostly due to cash payments from customers. Cash received from noncapital financing activities increased for property taxes collections, which are up due to a lag between the property valuation and the receipt of payment (due to the impact of the previous housing market increase that has subsequently decreased). Cash flow used for capital and related financing activities decreased in 2009 primarily due to the 2008 LCR Drop 2 Reservoir payment. Cash from investing activities increased in 2009 mainly due to the favorable fair value adjustments of investments at the State Treasurer.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2009 and 2008**

<i>(Dollars in millions)</i>	2009	2008	Change	2008	2007	Change
Cash flows from operating activities	\$ 12.4	\$ (0.7)	\$ 13.1	\$ (0.7)	\$ 23.1	\$ (23.8)
Cash flows from noncapital financing activities	69.9	65.0	4.9	65.0	57.0	8.0
Cash flows from capital and related financing activities	(61.6)	(81.8)	20.2	(81.8)	(68.4)	(13.4)
Cash flows from investing activities	7.4	(2.4)	9.8	(2.4)	41.2	(43.6)
Net increase(decrease) in cash and cash equivalents	28.1	(19.9)	48.0	(19.9)	52.9	(72.8)
Cash and cash equivalents at 1/1/09	169.4	189.3	(19.9)	189.3	136.4	52.9
Cash and cash equivalents at 12/31/09	\$ 197.5	\$ 169.4	\$ 28.1	\$ 169.4	\$ 189.3	\$ (19.9)

Total Revenues

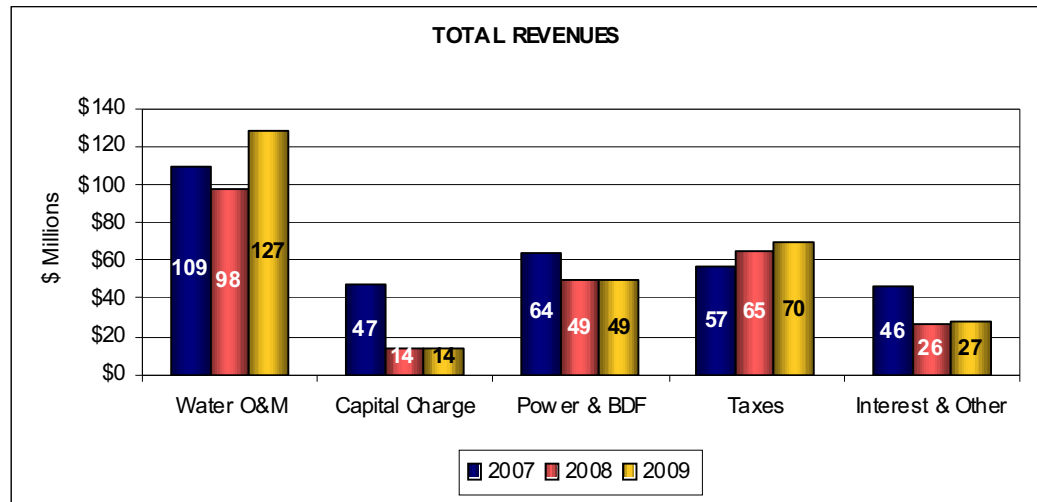
Total revenues, as depicted in the chart below, include operating revenues, such as water delivery operation and maintenance (O&M) charges, water service capital charges, Power & Basin Development Fund (BDF) revenues, and nonoperating revenues, such as property taxes and interest earnings.



Total revenues for 2009 increased by \$34.7 million (13.8%). The main increase is in water O&M revenues due to a higher 2009 water rate, phasing out of the incentive recharge rate and an increase of 64,645 acre-feet of deliveries. Property taxes also increased about \$4.9 million for the period due to the previous housing bubble (lag of a little over 2 years from valuation to collection). Capital charges, BDF revenues and interest revenues were fairly consistent with 2008.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2009 and 2008**

Total revenues for 2008 decreased by \$71.4 million (22.1%) compared to 2007. The 2007 reallocation of 65,647 acre-feet of M&I water resulting from the Arizona Water Settlement Act resulted in one time charges in 2007 of \$31.5 million for back

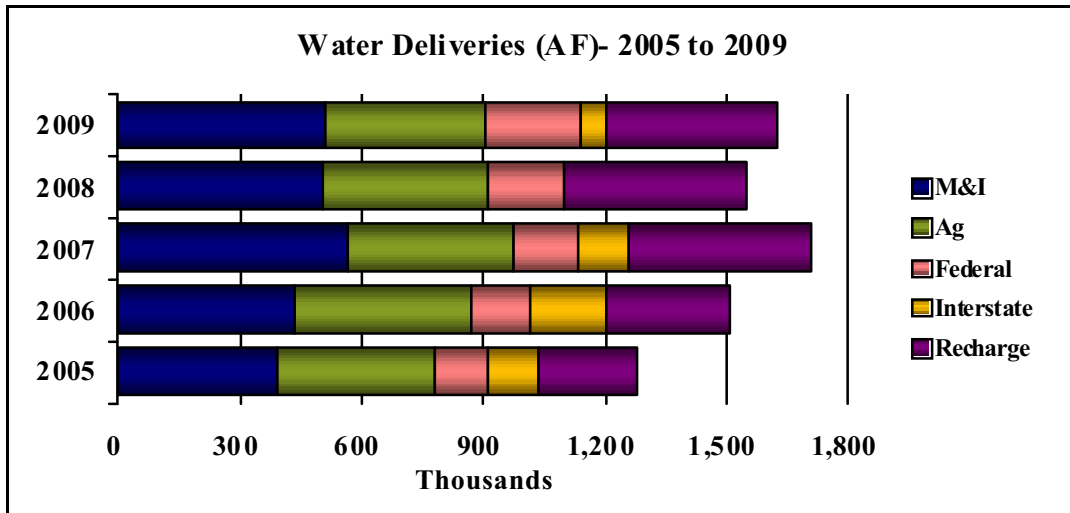


capital charges and associated interest income of \$12.1 million. As there was 148,417 acre-feet less water available for delivery in 2008, there were not any Interstate water deliveries, decreasing revenue by \$19.0 million. This revenue decrease was offset by increases of \$4.2 million in federal deliveries and \$3.6 million in Municipal and Industrial (M&I) deliveries. Power and BDF revenues were lower primarily due to the District's decision to not sell SO₂ credits in 2008 (due to the significant decline in their market price), decreasing revenue by \$10.7 million. Increased capital costs at the Navajo Generating Station reduced net Navajo revenue by \$3.9 million. Lower interest rates and decreases in the fair value of investments held at the Arizona State Treasurer's office resulted in a \$9.0 million decrease. Property taxes collected increased \$8.0 million in 2008 due to previously higher assessed valuations.

<i>(Dollars in millions)</i>	2009	2008	Change	2008	2007	Change
Operating revenues						
Water O&M charges	\$ 127.4	\$ 97.7	\$ 29.7	\$ 97.7	\$ 108.8	\$ (11.1)
Water service capital charges	13.8	13.8	-	13.8	46.7	(32.9)
Power & other BDF revenues	48.6	49.6	(1.0)	49.6	64.1	(14.5)
Reimbursements & other	15.0	15.0	-	15.0	14.8	0.2
Total operating revenues	\$ 204.8	\$ 176.1	\$ 28.7	\$ 176.1	\$ 234.4	\$ (58.3)
Nonoperating revenues						
Property taxes	\$ 69.9	\$ 65.0	\$ 4.9	\$ 65.0	\$ 57.0	\$ 8.0
Interest income & other	11.8	10.7	1.1	10.7	31.8	(21.1)
Total nonoperating revenues	\$ 81.7	\$ 75.7	\$ 6.0	\$ 75.7	\$ 88.8	\$ (13.1)
Total revenues	\$ 286.5	\$ 251.8	\$ 34.7	\$ 251.8	\$ 323.2	\$ (71.4)

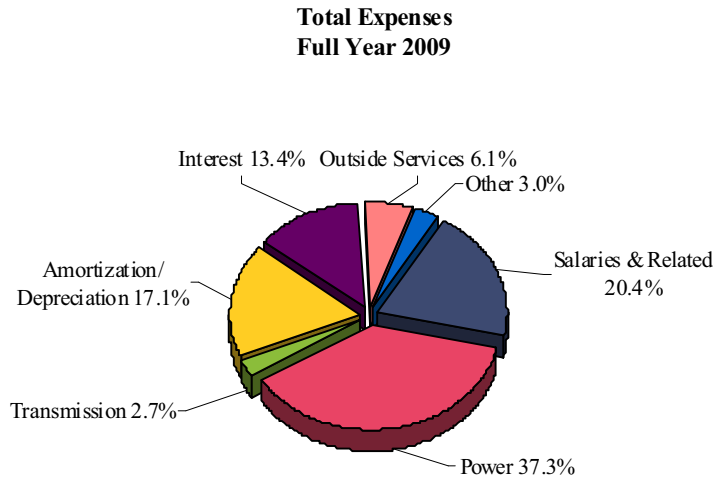
**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2009 and 2008**

Water deliveries were 1,622,134 acre-feet (AF) in 2009 and 1,557,489 acre-feet in 2008. The 2009 increase was due in part to Nevada providing some of its allotment to Arizona at the end of the year that will be stored for interstate deliveries in 2010 (~20,000 A/F), Bureau of Reclamation released additional supplies (~20,000 A/F) and CAWCD took additional water to ensure it got its full allocation (~20,000 A/F). The increased 2007 deliveries were accomplished through a drawdown of Lake Pleasant.



Total Expenses

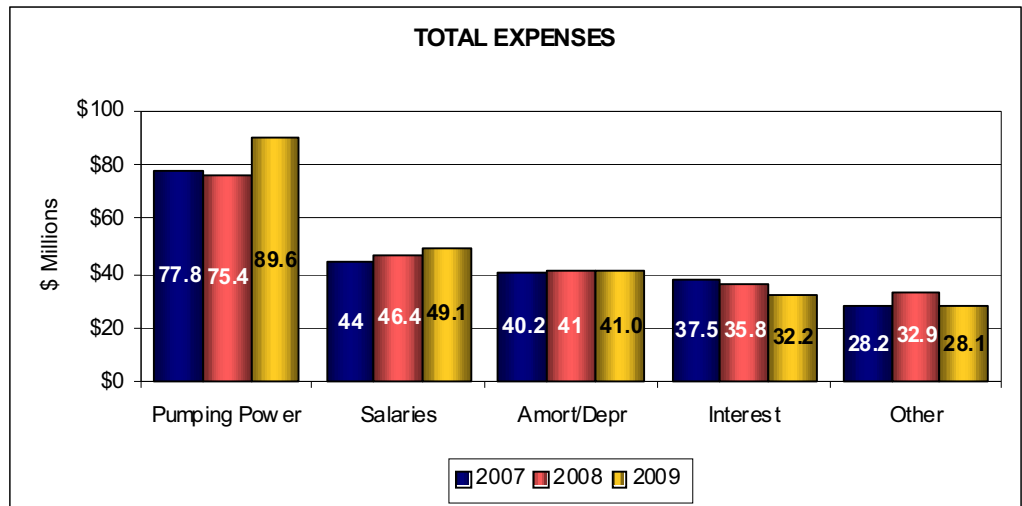
Total expenses, as depicted in the chart below, include operating expenses, which consist of employee and professional services expenses, pumping power and power transmission, amortization and depreciation as well as other operating expenses, and nonoperating expenses, which are primarily interest and other financial expenses. Rates are set in a manner that will recover an appropriate share of the District's expected operating expenses from customers. Since rates are set in advance, actual expenses may differ from the estimates used to calculate rates, and reserves may consequently fluctuate.



**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2009 and 2008**

Total expenses for 2009 increased \$8.5 million (3.7%). As can be seen in the chart, pumping power costs increased \$14.2 million due to an increase in the average rate from \$27.33/ MWH to \$32.14/ MWH. Salaries and related costs increased by \$2.7 million, due mostly to increased headcount and retirement costs. Other costs decreased by \$4.8 million, which includes outside services, overhead (amount transferred to capital), materials and supplies.

Total expenses for 2008 increased by \$3.8 million (1.7%). Salaries and related costs increased \$2.4 million. Pumping power decreased by \$2.4 million due to lower average power costs of \$28.01/MWH in 2007 to \$27.33/MWH in 2008. Other expenses increased



\$4.7 million driven mainly by increases of \$0.8 million in overhead, \$1.5 million for raising the canal lining by 2 ½ feet, and \$4.3 million increase in accretion expense due to the updated Navajo Decommissioning Study. These expenses were offset by a \$1.5 million decrease for CAGR D's 2007 purchase of an M&I allocation that did not occur in 2008. Non-operating expenses decreased by \$1.7 million corresponding with lower interest expense due to the reduction of the federal repayment obligation debt and revenue bonds.

<i>(Dollars in millions)</i>	2009	2008	Change	2008	2007	Change
Operating expenses						
Salaries & related costs	\$ 49.1	\$ 46.4	\$ 2.7	\$ 46.4	\$ 44.0	\$ 2.4
Pumping power	89.6	75.4	14.2	75.4	77.8	(2.4)
Amortization of the PSR	29.7	30.4	(0.7)	30.4	30.4	-
Depreciation	11.3	10.6	0.7	10.6	9.8	0.8
Other	28.1	32.9	(4.8)	32.9	28.2	4.7
Total operating expenses	\$ 207.8	\$ 195.7	\$ 12.1	\$ 195.7	\$ 190.2	\$ 5.5
Non-operating expenses	32.2	35.8	(3.6)	35.8	37.5	(1.7)
Total expenses	\$ 240.0	\$ 231.5	\$ 8.5	\$ 231.5	\$ 227.7	\$ 3.8

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2009 and 2008**

Cumulative Effect of Change In Accounting Principle: M&I subcontract allocations that were considered expenses in 2004 and 2007 totaling \$3.4 million are now capitalized as Intangible Assets due to the accounting change per Government Accounting Standards Board (GASB) Statement No. 51.

Change In Net Assets and Ending Net Assets

Net assets increased \$49.9 million in 2009 and \$20.3 million in 2008.

<i>(Dollars in millions)</i>	2009	2008	Change	2008	2007	Change
Total operating revenues	\$ 204.8	\$ 176.1	\$ 28.7	\$ 176.1	\$ 234.4	\$ (58.3)
Total operating expenses	(207.8)	(195.7)	(12.1)	(195.7)	(190.2)	(5.5)
Operating income (loss)	(3.0)	(19.6)	16.6	(19.6)	44.2	(63.8)
Nonoperating revenues	81.7	75.7	6.0	75.7	88.8	(13.1)
Nonoperating expenses	(32.2)	(35.8)	3.6	(35.8)	(37.5)	1.7
Change in net assets	\$ 46.5	\$ 20.3	\$ 26.2	\$ 20.3	\$ 95.5	\$ (75.2)
Beginning net assets	398.9	378.6	20.3	378.6	283.1	95.5
Cumulative effect of acct chg	3.4	-	3.4	-	-	-
Ending net assets	\$ 448.8	\$ 398.9	\$ 49.9	\$ 398.9	\$ 378.6	\$ 20.3

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets: The District's net investment in capital assets decreased \$18.0 million to \$1.45 billion for 2009. The largest component of the District's capital assets is the PSR, net of accumulated amortization. The PSR (net) has decreased from \$1.34 billion in 2008 to \$1.31 billion in 2009 per the amortization schedule, which is approximately \$30.0 million per year. The investment in the LCR Drop 2 Reservoir Project of \$28.7 million was reduced by \$1.6 million due to the District being notified of a refund. As discussed above, due to GASB 51, an intangible capital asset was recorded for CAGR's M&I water rights for \$3.4 million. A net of \$4.2 million in projects was transferred from construction in progress to structures and improvements.

More information about the District's capital assets is provided in Note 3 of the financial statements.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2009 and 2008**

**SCHEDULE OF CAPITAL ASSETS
(Net of Depreciation and Amortization)**

<i>(Dollars in millions)</i>	2009	2008	Change	2008	2007	Change
Permanent service right	\$ 1,309.3	\$ 1,339.0	\$ (29.7)	\$ 1,339.0	\$ 1,369.7	\$ (30.7)
Intangibles	31.1	29.5	1.6	28.7	-	28.7
Other capital assets						
Land	1.1	1.1	-	1.1	0.8	0.3
Construction in progress	23.8	19.6	4.2	19.6	38.3	(18.7)
Capital equipment	31.7	30.6	1.1	31.3	29.6	1.7
Structures and improvements	48.9	44.2	4.7	44.2	18.4	25.8
Total other capital assets	105.5	95.5	10.0	96.2	87.1	9.1
Total capital assets	\$ 1,445.9	\$ 1,464.0	\$ (18.1)	\$ 1,463.9	\$ 1,456.8	\$ 7.1

Long-Term Debt: The District's long-term debt decreased \$38.8 million in 2009 and \$39.2 million in 2008.

SCHEDULE OF LONG-TERM DEBT

<i>(Dollars in millions)</i>	2009	2008	Change	2008	2007	Change
Repayment obligation	\$ 1,321.2	\$ 1,346.3	\$ (25.1)	\$ 1,346.3	\$ 1,371.5	\$ (25.2)
Revenue bonds	-	13.7	(13.7)	13.7	27.7	(14.0)
Total long-term debt	\$ 1,321.2	\$ 1,360.0	\$ (38.8)	\$ 1,360.0	\$ 1,399.2	\$ (39.2)

Long-term debt is discussed in the previous Total Liabilities section of the MD&A. More information about the District's repayment obligation is provided in Note 5 of the financial statements. Note 11 of the financial statements contains additional information on the District's revenue bonds.

CURRENTLY KNOWN ECONOMIC FACTORS IMPACTING THE FUTURE FINANCES OF CAWCD

- Project Acquisition, Development and Delivery (ADD) Water in 2007 is an effort to establish a collaborative process to determine when new supplies need to be acquired and what entities get those supplies. The ADD Water Stakeholder Group was created in 2008 and consists of three CAWCD Board members, representatives from a variety of external stakeholders, and CAWCD staff. On March 4, 2010, the emerging consensus from the Stakeholder Group was presented and the CAWCD Board has authorized staff to proceed with the ADD Water program that is consistent with the stakeholder's emerging consensus. Over the coming months, CAWCD staff will work with smaller groups of interested stakeholders and others to complete the specific next-step tasks.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2009 and 2008**

- The Bureau of Reclamation, Western, Salt River Project, and CAWCD entered into an agreement (known as the 4-Party Agreement) in 1994 for the sale of energy excess to the pumping needs of CAP. The term of the 4-Party Agreement is March 1994 through September 30, 2011. CAWCD is in the process of preparing for the expiration of the agreement and implement plans for the most beneficial post-2011 power environment for CAWCD.
- The Environmental Protection Agency has issued an advance notice of proposed rulemaking for Navajo Generating Station which could lead to a requirement to install costly new controls to reduce nitrogen oxide emissions at the plant. This in turn could lead to substantial increases in CAP water rates, tax rates or both, and to reductions in revenues from sales of surplus Navajo power.
- CAWCD is seeking state legislative authority to issue revenue bonds for the purpose of helping meet CAGRDR replenishment obligations. The revenues for payment of the bonds would be collected from CAGRDR members.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The information contained in the Management's Discussion and Analysis is intended to give our customers, taxpayers, and bondholders a general overview of the District's finances, issues that affect the District's financial position and accountability for the money it receives. If you have questions about the report or need additional financial information, contact:

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CENTRAL ARIZONA WATER CONSERVATION DISTRICT
BALANCE SHEETS
December 31, 2009 and 2008

ASSETS

	<u>2009</u>	<u>2008</u>
	<i>(In Thousands)</i>	
CURRENT ASSETS		
Cash	\$ 7,297	\$ 5,519
Cash equivalents	<u>190,225</u>	<u>163,843</u>
Total cash and cash equivalents	197,522	169,362
Receivables:		
Accrued interest receivable	-	1,851
Due from water customers	28,250	25,887
Other receivables	9,250	5,743
Water inventory	31,143	23,824
Other assets	<u>980</u>	<u>1,542</u>
Total current assets	<u>267,145</u>	<u>228,209</u>
NONCURRENT ASSETS		
Funds held by federal government	23,823	24,824
Investments	68,258	80,103
Restricted assets	109,336	97,834
Agriculture water rights	88,719	78,093
Capital assets, less accumulated depreciation of \$71,727 and \$62,277 at December 31, 2009 and 2008, respectively	136,587	124,905
Permanent service right, less accumulated amortization of \$481,831 and \$452,115 at December 31, 2009 and 2008, respectively	<u>1,309,281</u>	<u>1,338,997</u>
Total noncurrent assets	<u>1,736,004</u>	<u>1,744,756</u>
 Total assets	 <u>\$ 2,003,149</u>	 <u>\$ 1,972,965</u>

LIABILITIES

	<u>2009</u>	<u>2008</u>
	<i>(In Thousands)</i>	
CURRENT LIABILITIES		
Accounts payable	\$ 30,862	\$ 24,279
Accrued payroll, payroll taxes and other accrued expenses	7,200	6,638
Water operations and capital charges deferred revenue	24,320	22,387
Current liabilities payable from restricted assets, advances to federal government, and other noncurrent assets:		
Accrued interest payable	30,762	31,706
Repayment obligation, due within one year	25,167	25,167
Contract revenue bonds, due within one year	<u>13,745</u>	<u>14,075</u>
Total current liabilities	<u>132,056</u>	<u>124,252</u>
NONCURRENT LIABILITIES		
Repayment obligation, due after one year	1,321,167	1,346,334
Contract revenue bonds, due after one year, net of unamortized discounts of \$0 and \$107 at December 31, 2009 and 2008, respectively	-	13,710
Non-Indian agricultural 9(d) debt	88,719	78,093
Other noncurrent liabilities	<u>12,432</u>	<u>11,637</u>
Total noncurrent liabilities	<u>1,422,318</u>	<u>1,449,774</u>
Total liabilities	<u>1,554,374</u>	<u>1,574,026</u>
NET ASSETS		
Invested in capital assets, net of related debt	85,789	64,615
Restricted for bond trust accounts	16,577	24,239
Restricted for Master Repayment Agreement	46,106	26,510
Restricted for Ak-Chin account	7,211	6,803
Restricted for CAGR account	8,003	8,059
Restricted for Captive Insurance Company	250	250
Unrestricted	<u>284,839</u>	<u>268,463</u>
Total net assets	<u>448,775</u>	<u>398,939</u>
Total liabilities and net assets	<u>\$ 2,003,149</u>	<u>\$ 1,972,965</u>

See accompanying notes.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
	<i>(In Thousands)</i>	
OPERATING REVENUES		
Water operations and maintenance charges	\$ 127,395	\$ 97,660
Water service capital charges	13,745	13,815
Power and Basin Development Fund revenues	48,630	49,639
Reimbursements and other operating revenues	<u>15,010</u>	<u>14,943</u>
Total operating revenues	<u>204,780</u>	<u>176,057</u>
OPERATING EXPENSES		
Salaries and related costs	49,075	46,386
Pumping power	89,614	75,439
Power transmission	2,843	2,972
Hoover capacity charges	3,591	3,289
Amortization of permanent service right	29,716	30,394
Depreciation	11,296	10,603
Other operating expenses	<u>21,700</u>	<u>26,569</u>
Total operating expenses	<u>207,835</u>	<u>195,652</u>
Operating loss	<u>(3,055)</u>	<u>(19,595)</u>
NONOPERATING REVENUES (EXPENSES)		
Property taxes	69,941	65,027
Interest income and other nonoperating revenues	11,802	10,685
Interest expense and other nonoperating expenses	<u>(32,224)</u>	<u>(35,802)</u>
Total nonoperating revenues, net	<u>49,519</u>	<u>39,910</u>
CHANGES IN NET ASSETS	<u>46,464</u>	<u>20,315</u>
NET ASSETS AT BEGINNING OF YEAR	398,939	378,624
Cumulative effect of change in accounting principle	<u>3,372</u>	<u>-</u>
NET ASSETS AT BEGINNING OF YEAR, as restated (Note 2)	<u>402,311</u>	<u>378,624</u>
NET ASSETS AT END OF YEAR	<u>\$ 448,775</u>	<u>\$ 398,939</u>

See accompanying notes.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
	<i>(In Thousands)</i>	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 146,860	\$ 131,797
Cash received from power sales	25,200	25,200
Cash paid to employees	(48,513)	(45,767)
Cash paid to suppliers	<u>(111,165)</u>	<u>(111,882)</u>
Net cash provided by (used in) operating activities	<u>12,382</u>	<u>(652)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from property taxes	<u>69,941</u>	<u>65,027</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments on contract revenue bonds, including interest and other expenses	(14,040)	(15,832)
Payments on repayment obligation, including interest	(27,945)	(17,976)
Additions to capital assets	(19,605)	(19,683)
Increase in other assets	-	(28,682)
Increase in permanent service rights	<u>-</u>	<u>340</u>
Net cash used in capital and related financing activities	<u>(61,590)</u>	<u>(81,833)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in restricted assets	9,058	-
Decrease in restricted assets	(20,560)	(1,120)
Purchase of investments	-	(13,442)
Proceeds from sale and maturities of investments	8,561	2
Interest on investments	<u>10,369</u>	<u>12,112</u>
Net cash provided by (used in) investing activities	<u>7,428</u>	<u>(2,448)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	28,161	(19,906)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>169,362</u>	<u>189,268</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 197,522</u>	<u>\$ 169,362</u>

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
STATEMENTS OF CASH FLOWS (CONTINUED)
Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
	<i>(In Thousands)</i>	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating loss	\$ (3,055)	\$ (19,595)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Amortization of permanent service right	29,716	30,394
Depreciation	11,296	10,603
Non-cash revenue	(23,822)	(24,441)
Changes in operating assets and liabilities:		
Due from water customers	(2,363)	2,740
Due from other receivables	(3,507)	(17)
Water inventory	(7,319)	(2,254)
Other	562	(1,061)
Funds held by federal government, net	1,001	-
Accounts payable	6,583	(4,386)
Accrued payroll, payroll taxes and other accrued expenses	562	604
Deferred revenue	1,933	2,671
Other noncurrent liabilities	<u>795</u>	<u>4,090</u>
Net cash provided by (used in) operating activities	<u>\$ 12,382</u>	<u>\$ (652)</u>
 NONCASH INVESTING ACTIVITIES		
Increase (decrease) in fair value of investments	<u>\$ 3,285</u>	<u>\$ (2,718)</u>
 NONCASH TRANSACTION AFFECTING FINANCIAL POSITION		
Acquisition of Water Rights via non-Indian agricultural debt	<u>\$ 10,626</u>	<u>\$ -</u>

See accompanying notes.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 1 - ORGANIZATION AND REPORTING ENTITY

The Central Arizona Water Conservation District (District) is a multi-county water conservation district organized within the state of Arizona encompassing Maricopa, Pima, and Pinal counties. The District's popularly elected Board of Directors serves as its governing body. Under the requirements of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, the District is a primary government with a single blended component unit, the CAWCD Insurance Company, Inc. The CAWCD Insurance Company is included as a component unit because it provides services exclusively to the District. The CAWCD Insurance Company issues separate financial statements and they can be obtained upon request from the District. The District was authorized in 1971 by the Arizona State Legislature for the primary purpose of creating a single entity to enter into an agreement with the United States Department of the Interior, Bureau of Reclamation (Reclamation), for repayment of the reimbursable cost of the Central Arizona Project (CAP). The District is further empowered to serve as the operating agent of the CAP.

The CAP is a multi-purpose water resource project authorized by the Congress of the United States in 1968 by the Colorado River Basin Project Act and was constructed by Reclamation. The CAP is intended to deliver an average of approximately 1.5 million acre-feet of Arizona's annual share of Colorado River water to central and southern Arizona, which will partially replace existing groundwater uses and supplement surface water supplies. It also provides flood control, power, recreation, and fish and wildlife benefits.

Under its enabling legislation (A.R.S. §48-3701 *et seq.*), the District has the authority to levy ad valorem taxes against all taxable property within its boundaries. The first ad valorem tax, which may not exceed 10 cents per \$100 of assessed valuation, is for the District's operations and repayment of the construction cost repayment obligation of the CAP (Note 5). The ad valorem tax for operations and repayment was levied at 6 cents per \$100 of assessed valuation for the tax year ended June 30, 2009 and 2008. The second ad valorem tax, which may not exceed 4 cents per \$100 of assessed valuation, is for water storage to the extent that it is not required for the District's operations or the construction cost repayment obligation of the project. The ad valorem tax for water storage was levied at 4 cents per \$100 of assessed valuation in the tax years ended June 30, 2009 and 2008, and the year ended June 30, 2009. Proceeds were deposited by the District with the State Treasurer and used by the District to defray the annual operation, maintenance and replacement costs associated with the purchase of CAP water by the Arizona Water Banking Authority (AWBA). The respective counties collect property taxes on behalf of the District.

In 1993, the State legislature gave the District additional authority to provide replenishment services within the District's three-county service area. This authority is commonly referred to as the Central Arizona Groundwater Replenishment District (CAGRDR). The CAGRDR began enrolling members in 1995. As of December 31, 2009 and 2008, there were 1,092 and 1,093 member lands, respectively (individual subdivisions) and 24 member service areas. The CAGRDR is responsible for using renewable water supplies to replenish (or recharge) excess groundwater used by its members. All costs of the CAGRDR are to be paid by its members through assessments based on replenishment services provided. During 2009 and 2008, the CAGRDR's total net replenishment obligation was approximately 236,000 and 198,000 acre-feet, respectively.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accounting policies of the District conform to generally accepted accounting principles as applicable to an enterprise fund of a governmental unit. Accordingly, the accrual basis of accounting is utilized, whereby revenues are recorded when they are earned, and expenses are recorded when the liability is incurred. The District's books and records include separate accounts and projects that are described as "accounts" or "fund": a general fund, Ak-Chin account, CAGR account, debt service account and captive account. This "fund" and these "accounts" have been combined in the accompanying financial statements. All material inter-fund transactions have been eliminated. The District has elected, in accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities that Use Proprietary Fund Accounting*, not to implement Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash, Cash Equivalents and Unrestricted Investments

All funds, except the CAWCD Captive Insurance Company, are to be invested in obligations issued or guaranteed by the United States or any of its agencies, collateralized repurchase agreements, obligations of the state and local governments, prime quality commercial paper, and other instruments as set forth in the District's enabling legislation.

Investments are managed by the State Treasurer and maintained in investment pools (the state of Arizona Local Government Investment Pool 5, the CAWCD Long-Term Pool 12 and the LGIP Long-Term Pool 500). The Local Government Investment Pool (LGIP) 5 consists of participating interest earning investment contracts with maturities of less than one year and, therefore, is recorded at cost. The CAWCD Long-Term Pool 12 and LGIP Long-Term Pool 500 are recorded at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

Inventory

Inventory is comprised of mainly replacement parts. The District charges all such replacement parts to expense upon acquisition.

Bond Issuance Costs, Discounts and Premiums

Bond issuance costs, discounts and premiums are deferred and amortized over the term of the related bonds using the interest method. Bond discounts and premiums are presented as a reduction or increase of the face amount of bonds payable whereas issuance costs are recorded as deferred charges.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

The District records revenue from the sale of water, the sale of power, the sale of emissions credits, the collection of property taxes and the provision of certain contract services to other outside entities. Water rates consist of a water service capital charge and an operations maintenance and replacement (OM&R) charge. Generally, OM&R charges are determined by the Board of Directors after giving consideration to the amount of OM&R costs to be paid by the various subcontractors and through property taxes. Water is delivered to subcontractors and other customers based on delivery requests. Revenue from OM&R charges is recognized as it is earned and revenue from water service capital charges is recognized ratably over the period of the billing. Generally, OM&R charges for scheduled water deliveries are due in advance.

Revenues from contract services and, the sale of power and emissions credits are recorded when earned.

Property taxes are recorded as revenue when received. Tax equivalency charges are recorded when received if there is no obligation to deliver any services or provision for refund.

Operating and Nonoperating Revenues

The District's primary operating revenues are water sales, capital charges associated with water sales, and power and Basin Fund Development Fund revenues. The District's primary nonoperating revenues are property taxes and interest earnings.

Application of Restricted or Unrestricted Resources

In cases where an expense is incurred for purposes that both restricted and unrestricted net assets are available, the expense is applied to the restricted net assets first.

Statements of Cash Flows

For the purpose of the statements of cash flows, investments in the State of Arizona Local Government Investment Pools are treated as cash and cash equivalents due to their liquidity.

Capital Assets and Depreciation

Capital assets are initially recorded at cost. Depreciation is provided on the straight-line method based on the estimated useful lives of the assets ranging from five to forty years. The costs of additions and replacements are capitalized. Work-in-process is capitalized as projects are completed. Major components of a project that have been completed and placed in service are depreciated. Projects are classified as an asset when the entire project has been completed. Repairs and maintenance are charged to expense as incurred. Retirements, sales and disposals are recorded by removing the cost and accumulated depreciation from the asset and accumulated depreciation accounts with any resulting gain or loss reflected in nonoperating expenses within the Statements of Revenues, Expenses and Changes in Net Assets.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets and Depreciation (Continued)

Capital assets are stated at cost. Assets are depreciated on the straight-line method over the estimated useful lives as follows:

Land	Not depreciated
Intangibles – not depreciable	Not depreciated
Structures and improvements	5-40 years
Equipment	3-20 years
Intangibles – depreciable	3-5 years

Water Inventory Adjustment

The water inventory adjustment for water inventory is a means to adjust the pumping energy component of water service charges to recognize that the cost of power used to pump water into Lake Pleasant should be recovered, through OM&R charges, in the year the water is delivered to customers, not the year in which it is pumped into Lake Pleasant. The water inventory adjustment is valued at the threshold rate.

The District's share of Lake Pleasant storage as of December 31, 2009 and 2008 was 431,547 acre-feet and 366,684 acre-feet, respectively.

In 2002, the District entered into a water exchange agreement with Salt River Project that allowed for an exchange of up to 150,000 acre-feet. In 2009 and 2008, the District stored about 130,000 acre-feet with Salt River Project. The water inventory adjustment represented the weighted average energy cost associated with the increase in storage level over the calendar year.

Agricultural Water Rights

During 2007, as a result of the Arizona Water Settlement (Note 5), the District obtained agricultural water rights to be reallocated. The agricultural water rights are recorded at cost and will be available for sale in 2010. In 2009, 9,026 acre-feet of Non-Indian Agriculture water rights were relinquished (Note 12).

Investments

Investments held by governmental entities are reported at fair value. Fair value adjustments are included in interest income.

New Accounting Pronouncement

For 2009, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets are applied to these intangible assets as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of the intangible assets. Such guidance is applied in the Capital Assets footnote number three. As a result of implementing GASB No. 51, beginning net assets were restated (increased) by \$3,372,000. In addition, capital assets were reclassified to include intangible assets.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 3 – CAPITAL ASSETS

	December 31, 2008	Increases	Decreases	December 31, 2009
	<u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u>
		<i>(In Thousands)</i>		
Capital assets not depreciated:				
Land	\$ 1,101	\$ -	\$ -	\$ 1,101
Work-in-progress	6,288	2,066	-	8,354
Intangibles	27,067	3,372	-	30,439
Capital assets being depreciated:				
Land improvements	-	98	-	98
Structures and improvements	53,980	8,187	-	62,167
Equipment	74,475	8,220	2,389	80,306
Intangibles	5,826	97	-	5,923
Work-in-progress	<u>18,445</u>	<u>16,413</u>	<u>14,932</u>	<u>19,926</u>
Total capital assets	<u>187,182</u>	<u>38,453</u>	<u>17,321</u>	<u>208,314</u>
Less accumulated depreciation for:				
Structures and improvements	9,800	3,597	-	13,397
Intangibles	5,180	35	-	5,215
Equipment	43,845	6,599	1,830	48,614
Work-in-progress	<u>3,452</u>	<u>1,939</u>	<u>890</u>	<u>4,501</u>
Total accumulated depreciation	<u>62,277</u>	<u>12,170</u>	<u>2,720</u>	<u>71,727</u>
Capital assets, net	<u>\$ 124,905</u>	<u>\$ 26,283</u>	<u>\$ 12,987</u>	<u>\$ 136,587</u>
	December 31, 2007			December 31, 2008
	<u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u>
		<i>(In Thousands)</i>		
Capital assets not depreciated:				
Land	\$ 825	\$ 276	\$ -	\$ 1,101
Intangibles	28,870	-	1,803	27,067
Work-in-progress	4,039	2,249	-	6,288
Capital assets being depreciated:				
Structures and improvements	25,014	28,966	-	53,980
Equipment	68,878	8,701	3,104	74,475
Intangibles	5,410	416	-	5,826
Work-in-progress	<u>37,528</u>	<u>13,656</u>	<u>32,739</u>	<u>18,445</u>
Total capital assets	170,564	54,264	37,646	187,182
Less accumulated depreciation for:				
Structures and improvements	6,651	3,149	-	9,800
Equipment	39,469	7,150	2,774	43,845
Intangibles	5,157	123	100	5,180
Work-in-progress	<u>3,274</u>	<u>2,521</u>	<u>2,343</u>	<u>3,452</u>
Total accumulated depreciation	<u>54,551</u>	<u>12,943</u>	<u>5,217</u>	<u>62,277</u>
Capital assets, net	<u>\$ 116,013</u>	<u>\$ 41,321</u>	<u>\$ 32,429</u>	<u>\$ 124,905</u>

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 3 – CAPITAL ASSETS (CONTINUED)

Total depreciation expense was approximately \$11,296,000 and \$10,603,000 for the years ended December 31, 2009 and 2008, respectively.

NOTE 4 – PERMANENT SERVICE RIGHT

The District's interest in the CAP represents a permanent service right pursuant to the Master Repayment Agreement and Repayment Settlement. The permanent service right represents the District's right to use the CAP water delivery system for the purpose of fulfilling its responsibility of delivering water as provided in the Master Repayment Agreement and to collect revenues produced by the CAP. The District has used the repayment obligation specified in the Repayment Settlement, plus certain advances to the federal government and other adjustments, in recording the permanent service right. The cost of the permanent service right may be adjusted in the future as a result of determinations to be made as a consequence of the Repayment Settlement.

Although the District's interest in the CAP is reflected in the accompanying balance sheets, the United States retains a paramount right or claim in the CAP arising from the original construction and operation of the CAP as a Federal Reclamation Project. The District's right to the possession and use of, and to all revenues produced by, the CAP is evidenced by the Master Repayment Agreement, various laws, and other agreements with the United States. Legal title to the CAP will remain with the United States until otherwise provided by Congress.

The District amortizes the permanent service right on the straight-line method over the estimated useful lives of the major components of the CAP, generally 100 years for the aqueduct, 30 years for the Navajo power plant and related transmission facilities, 50 years for buildings and structures, and 20 years for the pumping plant equipment.

	December 31, 2008			December 31, 2009
	<u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u>
		<i>(In Thousands)</i>		
Permanent Service Right	\$ 1,789,627	\$ -	\$ -	\$ 1,789,627
Navajo Generating Station assets	<u>1,485</u>	<u>-</u>	<u>-</u>	<u>1,485</u>
Total being amortized/depreciated	<u>1,791,112</u>	<u>-</u>	<u>-</u>	<u>1,791,112</u>
Less accumulated amortization/ depreciation				
Permanent Service Right	451,251	29,699	-	480,950
Navajo Generating Station assets	<u>864</u>	<u>17</u>	<u>-</u>	<u>881</u>
Total accumulated amortization/depreciation	<u>452,115</u>	<u>29,716</u>	<u>-</u>	<u>481,831</u>
Permanent Service Right capital asset, net	<u>\$ 1,338,997</u>	<u>\$ (29,716)</u>	<u>\$ -</u>	<u>\$ 1,309,281</u>

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 4 – PERMANENT SERVICE RIGHT (CONTINUED)

	December 31, 2007	Increases Decreases		December 31, 2008
	<u>Balances</u>	<u>(In Thousands)</u>		<u>Balances</u>
Permanent Service Right	\$ 1,789,627	\$ -	\$ -	\$ 1,789,627
Navajo Generating Station assets	<u>1,826</u>	<u>-</u>	<u>341</u>	<u>1,485</u>
Total being amortized/depreciated	<u>1,791,453</u>	<u>-</u>	<u>341</u>	<u>1,791,112</u>
Less accumulated amortization/ depreciation				
Permanent Service Right	420,875	30,376	-	451,251
Navajo Generating Station assets	<u>847</u>	<u>17</u>	<u>-</u>	<u>864</u>
Total accumulated amortization/depreciation	<u>421,722</u>	<u>30,393</u>	<u>-</u>	<u>452,115</u>
Permanent Service Right capital asset, net	<u>\$ 1,369,731</u>	<u>\$ (30,393)</u>	<u>\$ 341</u>	<u>\$ 1,338,997</u>

The cost of periodic maintenance is charged to operations expense and the cost of major replacements is capitalized.

NOTE 5 – MASTER REPAYMENT AGREEMENT

The Agreement

Reclamation and the District have a contract for delivery of water and repayment of costs of the CAP. This contract (the Master Repayment Agreement) was originally entered into in 1972, and amended in 1988. In the Master Repayment Agreement, Reclamation agreed to construct the CAP and the District agreed to repay various reimbursable construction costs of the CAP, various OM&R costs during construction and interest during construction on various costs.

Commencement of Repayment

Reclamation notified the District that the water supply system, the first CAP construction stage, was substantially complete on October 1, 1993. This notification initiated repayment by the District for the water supply system. Reclamation notified the District that the regulatory storage facilities stage, consisting of New Waddell and Modified Roosevelt Dams, was substantially complete on September 30, 1996. This notification initiated repayment by the District for the regulatory storage facilities stage.

The Master Repayment Agreement requires the District to make annual payments to the United States on the repayment obligation related to the completed construction stages. These payments are required to be made over a 50-year period and are based on paying a percentage of the remaining outstanding repayment obligation, plus interest, with each construction stage having a separate 50-year repayment period as follows: contract years 1-7: 1%; 8-14: 1.3%; 15-21: 1.6%; 22-28: 2%; 29-35: 2.6%; and 36-50: 2.7%.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 5 – MASTER REPAYMENT AGREEMENT (CONTINUED)

Repayment Litigation and Repayment Settlement

As a result of disputes between the District and the United States regarding the amount of the District's repayment obligation, the District filed a lawsuit against the United States in July 1995, seeking a judicial determination of the District's repayment obligation. The United States also filed a lawsuit against the District. The two lawsuits were consolidated into a single action in the Federal District Court (the Court), in Phoenix, Arizona (the Repayment Litigation). On May 9, 2000, the litigation was settled, contingent upon the satisfaction of certain conditions within a specified time period (the Repayment Settlement). On April 8, 2003, the settlement was amended to extend the time for satisfaction of the conditions necessary for entry of final judgment. On December 10, 2004, the Arizona Water Settlements Act was enacted (the Settlements Act). The Settlements Act facilitated final judgment in the Repayment Litigation by authorizing actions that were necessary to satisfy the conditions of the Repayment Settlement. These conditions were subsequently satisfied. On November 21, 2007, a final judgment was entered based upon a stipulation for judgment filed by all of the parties to the Repayment Litigation. The time for appeal of the final judgment has expired. Accordingly, the Repayment Settlement is now fully effective. The major matters resolved by the Repayment Settlement are discussed below.

The Arizona Water Settlement

The Repayment Settlement required that there be a reallocation of CAP water supplies such that the total amount of CAP water allocated for federal uses be increased to 667,724 acre feet, or approximately 47% of average annual CAP supplies. The remaining CAP supplies, 747,276 acre-feet, or approximately 53% of average annual CAP supplies, were required to be made available for non-Indian agricultural, municipal and industrial use.

This reallocation was accomplished through the relinquishment of long-term CAP entitlements by non-Indian agricultural CAP subcontractors and the eventual reallocation of those entitlements and other, uncontracted non-Indian agricultural (NIA) priority CAP water to Indian and municipal and industrial (M&I) water users. In return for the receipt of certain benefits, including the opportunity to purchase excess CAP water under short term contracts at energy-only rates through 2003, non-Indian agricultural CAP subcontractors were offered the opportunity to relinquish their rights to NIA water under their long-term CAP subcontracts. All of the non-Indian agricultural CAP subcontractors agreed permanently to relinquish their entitlements to NIA water. (The Arizona State Land Department, a landowner within the Maricopa Stanfield Irrigation and Drainage District (MSIDD), initially elected to retain an entitlement of 9,026 acre-feet of MSIDD's entitlement under a long-term NIA CAP subcontract, but was subsequently terminated on September 1, 2009). On August 25, 2006, the Secretary of the Interior (Secretary) reallocated 197,500 acre-feet of the relinquished and uncontracted NIA water for use by Arizona Indian tribes, bringing the total amount of CAP water allocated for federal use to 650,724 acre-feet. Under the Settlements Act, an additional 17,000 acre-feet of M&I priority CAP water may be transferred from non-federal to federal uses in the future. If that additional water ultimately is not transferred, the District and the United States would adjust the District's repayment obligation as described below.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 5 – MASTER REPAYMENT AGREEMENT (CONTINUED)

The Arizona Water Settlement (Continued)

In the August 25, 2006 allocation decision, the Secretary also reallocated up to 96,295 acre-feet NIA priority CAP water to the Arizona Department of Water Resources to be held in trust for eventual reallocation to non-Indian M&I entities and reallocated 65,647 acre-feet of previously uncontracted M&I priority CAP water to M&I entities. New CAP subcontracts, incorporating the additional allocations of M&I water and certain amendments required by the Settlements Act, were offered to all subcontractors of CAP water service. All of those subcontracts have been fully executed, bringing the total amount of non-Indian M&I priority CAP water under subcontract to 620,678 acre-feet. This, together with the NIA priority water allocated to the Arizona Department of Water Resources, brings the total amount of CAP water currently in non-Indian hands to 764,276 acre-feet.

Repayment Obligation

The Repayment Settlement established the principal amount of the District's repayment obligation for the water supply system and regulatory storage facilities stages of the CAP at \$1,646,462,500 based upon the agreement to increase the amount of CAP water allocated for federal use to 667,724 acre-feet. The Repayment Settlement provides that the repayment obligation is subject to further adjustment, up or down, by \$1,415 per acre-foot if the total amount of CAP water ultimately made available for federal use is not 667,724 acre-feet. The District's repayment obligation would vary inversely with the amount of CAP water allocated for federal use. Thus, if the total amount of CAP water ultimately made available for federal use is less than 667,724 acre-feet, the District's repayment obligation would be increased by \$1,415 per acre-foot of the difference.

The Repayment Settlement provided that 73% of the District's repayment obligation will bear interest at the rate established in the Master Repayment Agreement of 3.342% per annum, and 27% of the repayment obligation will be non-interest bearing. The Repayment Settlement fixed these percentages for the duration of the repayment period.

Construction Deficiencies and Other Credits

Certain disputes regarding financial responsibility for CAP construction deficiencies were resolved by the Repayment Settlement, with the District receiving appropriate credit against payments due under its repayment obligation for work performed by the District to correct these deficiencies. Certain other credits against the annual payments due from the District were also recognized and applied in the Repayment Settlement.

Application of Development Fund Revenues

The Repayment Settlement provided that all net miscellaneous revenues and net power revenues accumulating in the Lower Colorado River Basin Development Fund (Development Fund) of the United States Treasury in each year will be credited annually against the amount due from the District on its repayment obligation.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 5 – MASTER REPAYMENT AGREEMENT (CONTINUED)

Payments Due on the District’s Repayment Obligation

The Repayment Settlement established a new repayment schedule based on the adjusted repayment obligation of \$1,646,462,500.

Payments to Maturity

The required annual payments under the Repayment Settlement on the repayment obligation are as follows (in thousands):

Years	Principal	Interest	Total
2010	\$ 25,167	\$ 30,636	\$ 55,803
2011	26,343	29,821	56,164
2012	26,343	28,968	55,311
2013	26,343	28,114	54,457
2014	26,343	27,260	53,603
2015-2019	159,943	121,761	281,704
2020-2024	187,227	94,350	281,577
2025-2029	215,295	60,969	276,264
2030-2034	221,489	24,908	246,397
2035-2039	222,273	1,061	223,334
2040-2044	188,401	-	188,401
2045-2046	21,167	-	21,167
	<u>\$1,346,334</u>	<u>\$ 447,848</u>	<u>\$1,794,182</u>

Changes in Repayment Obligation Balance

December 31 2008 Balance	Additions	Reductions	December 31, 2009 Balance	Amount Due Within One Year
<i>(In Thousands)</i>				
\$ 1,371,501	\$ -	\$ 25,167	\$ 1,346,334	\$ 25,167
December 31 2007 Balance	Additions	Reductions	December 31, 2008 Balance	Amount Due Within One Year
<i>(In Thousands)</i>				
\$ 1,396,668	\$ -	\$ 25,167	\$ 1,371,501	\$ 25,167

Amounts Recorded in Financial Statements

The repayment obligation and amounts due on that obligation reported in these financial statements reflect the terms of the Repayment Settlement.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 6 – OPERATIONS

Operations and Maintenance Agreement

Reclamation has transferred responsibility for operation and maintenance of completed CAP features to the District. The District performs these responsibilities under the Master Repayment Agreement, an agreement with Reclamation for the operation and maintenance of the facilities (the OM&R Transfer Contract), and an Operating Agreement between Reclamation and the District that took effect as part of the Repayment Settlement.

Water Delivery Contracts and Subcontracts

Long-term CAP water service began pursuant to contracts and subcontracts on October 1, 1993, upon notice of completion of the water supply system. Originally, the term of the contracts and subcontracts was generally 50 years beginning January 1, 1994. The Settlements Act required the Secretary to offer to amend all CAP contracts and subcontracts to, among other things, change the term of the contracts and subcontracts from 50 years to permanent water service, with an initial delivery term of 100 years. Pursuant to the Settlements Act, the District offered 60 new subcontracts and all have now been fully executed. In addition, the United States has entered into long-term contracts with eleven Indian entities for the delivery of CAP water. The District is not a party to these contracts but is obligated to deliver CAP water to Indian contractors under the Master Repayment Agreement. Water deliveries for 2009 and 2008 were 1,610,237 and 1,548,024 acre-feet, respectively.

The non-Indian subcontracts require the payment of a water service capital charge and an OM&R charge. For M&I subcontractors, the water service capital charge is applicable to each subcontractor's maximum annual entitlement to CAP water. Under the M&I water service subcontracts and current District pricing structure, the M&I water service capital charge is a variable charge, which began at an annual rate of \$10.50 per acre-foot of entitlement in 1994, increasing to \$48 per acre-foot of entitlement by 1999. The M&I water service capital charge has gradually been reduced since 2001 to a rate of \$18 per acre-foot for 2009. The amount of this M&I water service capital charge may be adjusted periodically by the District as a result of repayment determinations provided for in the Master Repayment Agreement and to reflect all sources of revenue, but the water service capital charge will not be greater than necessary to amortize project capital costs allocated to the M&I function with interest. Indian contractors of CAP water pay no water service capital charge, since the capital costs associated with the delivery of CAP water to Indian entities are not reimbursable by the District pursuant to the Master Repayment Agreement.

The OM&R costs of the CAP are of two types: energy costs and fixed costs. Energy costs are incurred to pump water from the Colorado River through the CAP aqueduct system and fixed costs are the non-energy costs associated with operation, maintenance and replacement. The District has completed a cost of service study to better define what components properly constitute fixed OM&R costs and how to allocate those costs among classes of CAP water users.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 6 – OPERATIONS (CONTINUED)

Water Delivery Contracts and Subcontracts (Continued)

M&I subcontractors and Indian contractors must pay OM&R charges on water scheduled for delivery.

Indian tribes, or the United States on behalf of Indian tribes, will pay the fixed OM&R charges and pumping energy charges associated with the delivery of CAP water to Indian tribes. Under the Settlements Act, the United States may use funds available in the Development Fund to pay Indian fixed OM&R charges beginning in 2010. The United States pays all OM&R charges for water delivered to the Ak-Chin Indian Community pursuant to a 1984 settlement of that tribe's water rights claims. Disputes that existed with respect to the amounts of those charges and the proper method of calculating OM&R charges were resolved as part of the Repayment Settlement.

As an integral part of the Repayment Settlement, the District also offers a special pool of excess water to non-Indian agricultural water users pursuant to two-party contracts between the District and non-Indian agricultural water users. Those users pay pumping energy charges, but not fixed OM&R charges, for that water.

The District's Board of Directors uses the District's Long-Range Financial Forecast (LRFF) to assist in setting rates for water service. In 2005, the Board of Directors adopted a two-year planning cycle. As a result, water service charges are set every other year, including firm rates for the next two years and advisory rates for the subsequent four years. The water service charges charged to M&I subcontractors and the United States on behalf of Indian contractors of CAP water service for 2009 were confirmed by the Board of Directors in June 2008, at which time the Board also approved firm rates for 2009 and 2010 and advisory rates for 2011 through 2014.

Details regarding water deliveries and charges are set forth in the unaudited tables appended to these financial statements as Other District Information.

NOTE 7 – POWER

Navajo Power Plant

Reclamation is one of six participants in the Navajo Generating Station (NGS). NGS consists of three 750,000 kilowatt coal-fired, steam-electric generating units which commenced operations in 1974 through 1976, a railroad to deliver fuel and 500 kilovolt transmission lines and switching stations to deliver the power and energy to the various participants. An agreement among the participants governs the construction, operation, and maintenance of NGS. Reclamation entered into this agreement in order to acquire a portion of the capacity of NGS for supplying the power requirements of the CAP. Reclamation has a 24.3% entitlement in the generating station, resulting in a power entitlement of 546,750 kilowatts of nominal capacity. The District is charged for the costs associated with the energy used to operate the CAP.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 7 – POWER (CONTINUED)

Hoover B Power Purchases

The 1984 Hoover Power Plant Act (Hoover Act) authorized upgrading the Hoover power plant, located at Hoover Dam, to increase generating capacity at the plant by 503 megawatts (MW). This additional capacity and its associated energy is known as Hoover B Power. The Hoover Act allocated 188 MW and 212,000 megawatt hours (MWh) of associated firm annual energy of the Hoover B Power to purchasers in Arizona. The Arizona Power Authority (Authority) distributes Arizona's share of the Hoover B Power. The District has contracted with Arizona Power Authority for all but 26.5 MW of Hoover B Power.

Power Revenues

Power revenues are derived from the sale of surplus power from NGS (power associated with Reclamation's NGS entitlement that is in excess of the pumping requirements of the CAP) and from a surcharge on energy sold in Arizona from the Boulder Canyon (Hoover) and Parker-Davis projects.

Additional Rate Component

The Hoover Act authorized the establishment and collection of additional rate components on sales and exchanges of the capacity and energy associated with Reclamation's NGS entitlement in excess of the pumping requirements of the CAP and any needs for desalting and protective pumping facilities as may be required under the Colorado River Basin Salinity Control Act (Navajo surplus). The Hoover Act further authorized the payment of revenues from such additional rate components to entities that have advanced funds for the construction and repayment of construction costs of the CAP.

The Secretary determined that the excess capacity and energy, which constitutes Navajo surplus to be marketed pursuant to long-term contracts, is 400,000 kilowatts of capacity and 760 kilowatt hours of energy per year per kilowatt of such capacity. The District and Reclamation have entered into power sales contracts with Salt River Project Agricultural Improvement and Power District (Salt River Project) for the sale of an aggregate of 350,000 kilowatts of such capacity and the associated energy from May 1993 through September 2011.

The additional rate component on the sale of such capacity has been established by the District at \$6 per kilowatt of allocated capacity per month. Revenues from the additional rate component are paid directly to the District's bond trustee to repay the contract revenue bonds sold by the District. Under the Repayment Settlement, when it is no longer necessary to have the additional rate component revenues paid to the bond trustee under the bond indentures, such remaining revenues may be paid to the District, which may use such funds solely to establish a reserve to cover the costs associated with major repair or replacement of CAP features. In 2009, the District received \$19,200,000 from additional rate component revenues.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 7 – POWER (CONTINUED)

Sale of Remaining Navajo Surplus

The District has entered into a contract with Salt River Project, Reclamation and the Western Area Power Authority for the sale of the remaining Navajo surplus. The contract, which is for the period June 1994 through September 2011, grants Salt River Project the use of the remaining United States entitlement to output of the Navajo Generating Station, the right to schedule and integrate with the Salt River Project system the District's contractual rights to Hoover capacity and energy produced at New Waddell Dam, and certain transmission rights, and requires Salt River Project to sell energy at cost to the District to meet CAP pumping requirements up to a defined threshold level for each contract year. If CAP energy requirements exceed the threshold, the District must purchase additional energy either from Salt River Project or through other energy sources. Under the contract, Salt River Project pays a monthly charge of \$1,812,500 to the Development Fund. The District records these revenues as funds held by the federal government as of December 31 of each year and then applies them against the annual payment due from the District under the Master Repayment Agreement the following January 20. The application of these revenues against the annual payments due from the District under the Master Repayment Agreement is required by the Repayment Settlement.

Hoover Surcharge

The Hoover Act also provided for the addition of a surcharge to the rates for energy sold in Arizona from the Boulder Canyon (Hoover) and Parker-Davis projects of 4.5 mills per kilowatt-hour. Revenues from the surcharge on Hoover power sales began in 1987 and revenues from Parker-Davis power sales began in 2005. Revenues from this surcharge are credited to the Development Fund.

The District records these revenues as funds held by the federal government as of December 31 of each year and then applies them against the annual payment due from the District the following January 20. The application of these revenues against the annual payments due from the District under the Master Repayment Agreement is required by the Repayment Settlement.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 8 – CASH AND INVESTMENTS

Cash

The CAWCD and CAWCD Insurance Company, Inc. accounts are on demand deposits at Bank of America and First Hawaiian Bank, respectively. As of December 31, 2009, the District reported \$7,297,000 in cash on its general ledger with bank balances of \$8,353,000. The District's cash balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. Balances in excess of FDIC limits are uninsured. Cash balances were previously insured by the FDIC up to \$100,000 per depositor per bank; this coverage was increased to \$250,000 effective through December 31, 2013. In October 2008, the FDIC announced the Temporary Liquidity Guarantee Program. One element of that program provides for an unlimited guarantee by the FDIC of funds held in an insured depository institution in non-interest-bearing transaction deposit accounts through June 30, 2010. The unlimited guarantee of non-interest-bearing transaction deposit accounts is over and above the \$250,000 coverage on all deposit accounts. As of December 31, 2008, a portion of cash balances at financial institutions exceeded the balance insured by the FDIC. As of December 31, 2009, the cash balances were fully covered under the Temporary Liquidity Guarantee Program.

Investments

As a multi-county water conservation district, the Arizona State Treasurer as prescribed by the District's Enabling Act holds the District's investments, including the restricted assets in Note 9, except for the bond trust account. The District had money in CAWCD Long-Term Pool 12, Pool 500 (LGIP Long-Term Pool), and LGIP-Pool 5 (Local Government Investment Pool).

The target duration of the CAWCD Long-Term Pool 12 is 4.5 years. Securities, at time of purchase, will carry, as a minimum, an A or better rating by either Moody's Investors Service or Standard and Poor's Rating Service or their successors. Eligible securities include U.S. Treasury, agency, corporate notes, mortgage backed securities/asset backed securities, and money market instruments with a minimum rating of A1/P1.

The LGIP Long-Term Pool 500 is used to meet the longer-term investment needs of local government/public entities. The investments have a longer-term investment requirement than the CAWCD Long-Term Pool. The final maturity, or applicable average life based on Bloomberg average pre-payment estimates at time of purchase, of any fixed-rate security shall not exceed 5 years from the settlement date of the purchase. The final maturity of any variable-rate security shall not exceed 5 years. The duration for the pool shall not exceed .75 years greater than the Merrill 1-5 U.S. Domestic Master Index. The investment policy objectives of the Arizona State Treasurer, in order of priority, are safety of principal, liquidity, and return on investments.

The LGIP-Pool 5 is a pool used for liquid cash equivalent needs. The final maturity of any fixed-rate security shall not exceed 18 months. The final maturity of any variable rate security shall not exceed five years. The dollar weighted average portfolio maturity shall not exceed 120 days.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 8 – CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

The State Treasurer's Office invests in SEC-registered investment company shares that have readily available share prices. Fair values of securities are determined using JP Morgan prices. JP Morgan prices from independent, industry recognized data vendors who provide values that are either exchange based or matrix based. Equities are priced utilizing the primary market close price. In the absence of a closed price, the mid bid price will be utilized. If no pricing source is available, the cost price or the last available price from any source will be utilized. All bonds are priced using an evaluated price, the closing trade/bid price or the most recent mid/bid price, except securities with a remaining maturity of 90 days or less are priced at amortized cost (amortizing premium/accreting discount on a straight-line to maturity method). If no pricing source is available, the cost or the last available price from any source will be utilized.

The pools are not required to register (and are not registered) with the Securities and Exchange Commission under the 1940 Investments Advisors Act. The activity and performance of the pools are reviewed monthly by the State Board of Investment in accordance with A.R.S. §35-311.

The District's portion of pooled investments as of December 31, 2009, consists of the following (stated at fair value) (in thousands):

Pooled investments – current:	
Local Government Investment Pool 5	\$ 190,225
Pooled investments – noncurrent:	
CAWCD Long-Term Pool 12	41,708
Local Government Investment Pool Long-Term Pool 500	<u>26,155</u>
	67,863
Pooled investments – included in restricted assets:	
Local Government Investment Pool 5	8,003
CAWCD Long-Term Pool 12	<u>76,742</u>
	<u>84,745</u>
	<u>\$ 342,833</u>

Pool 5 is now rated by Standard & Poor's. The rating at December 31, 2009 and 2008, was AAf/S1+. The pools 12 and 500 are not rated by a nationally recognized statistical rating organization. The District does not have a credit risk policy for its pooled investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rate will adversely affect the fair value of an investment. The District does not have an interest rate risk policy for its pooled investments.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 8 – CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk (Continued)

At December 31, 2009, the interest rate risks of the three pools in the aggregate are:

	Fair Value	Weighted-Average Maturity (Years)
	<i>(In Thousands)</i>	
Local Government Investment Pool 5	\$ 198,228	.07
Local Government Investment Pool Long-Term Pool 500	26,155	4.30
CAWCD Long-Term Pool 12	118,450	7.30
	\$ 342,833	3.12

The Board of Directors has designated \$50,000,000 of the Pool 12 investments as capital projects funds, \$5,000,000 as insurance reserves and \$20,000,000 of the Pool 500 investments as operating reserve funds.

NOTE 9 – RESTRICTED ASSETS AND NET ASSETS RESTRICTED BY ENABLING LEGISLATION

Restricted assets, including accrued interest receivable, consist of the following (in thousands):

	December 31	
	2009	2008
Bond trust accounts, primarily debt service accounts	\$ 17,131	\$ 24,762
Master Repayment Agreement repayment and operating reserves	45,285	44,986
Revised Stipulation Agreement major repairs or replacement	31,456	12,974
CAGR account	8,003	8,059
Ak-Chin account	7,211	6,803
Captive Insurance Company	250	250
	\$ 109,336	\$ 97,834

The District balance sheets reports \$78,147,000 and \$65,861,000 of restricted net assets as of December 31, 2009 and 2008, respectively.

Bond Trust Accounts

Bond trust accounts held by the trustee may be invested in direct obligations of, or obligations guaranteed by the U.S. government, FNMA or FHLMC securities, certificates of deposit, obligations of any state or political subdivision, or a guaranteed investment contract (GIC), all subject to meeting certain ratings by national agencies, and maximum maturity limits. The trustee holds the investments in trust for the District and the bondholders pursuant to the trust agreements.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 9 – RESTRICTED ASSETS AND NET ASSETS RESTRICTED BY ENABLING LEGISLATION (CONTINUED)

As of December 31, 2009 and 2008, the bond trust accounts consist primarily of one GIC of Bayerische Landesbank. The District does not have a formal policy on credit risk.

Bayerische Landesbank is rated A by S&P and Aa2 by Moody's. The Pricing (interest) Rate is 7.54% and it is collateralized at a margin amount of 103%. There is no interest rate risk.

Master Repayment and Operating Reserves

The District is required under the terms of the Master Repayment Agreement to establish and fund over a ten-year period (1) an operations and maintenance reserve fund of \$4,000,000 for extraordinary costs of operations, maintenance and replacement of project works, and (2) a repayment reserve fund of \$40,000,000 for the purpose of assuring payments of future obligations.

At December 31, 2009, the fair value of the operations and maintenance and repayment reserves totaled \$5,285,000, and \$40,000,000, respectively, excluding accrued interest. At December 31, 2008, the fair value of the operations and maintenance and repayment reserves totaled \$4,986,000, and \$40,000,000, respectively, excluding accrued interest. See the cash and investments footnote (Note 8) for risk disclosures as of December 31, 2009 and 2008, related to investments held by the Arizona State Treasurer.

The District redeemed its Series B bonds on November 1, 2007. Per the Revised Stipulation Agreement, revenues from the Capacity Charge not necessary to pay debt service, costs, or rebate obligations associated with outstanding bonds or to fund reserves may be paid, at the District's option and in lieu of payment to Reclamation for deposit to the Lower Basin Development Fund, to CAWCD to be used by CAWCD solely to establish a reserve to cover the costs associated with major repair or replacement of CAP features.

At December 31, 2009 and 2008, the fair value of the major repairs and replacement reserve totaled \$31,457,000 and \$12,974,000, respectively. See the cash and investments footnote (Note 8) for risk disclosures as of December 31, 2009 and 2008, related to investments held by the Arizona State Treasurer.

CAGR Account

The District is required by state statute to use replenishment reserve charges and fees within each active management area together with all interest earned on these charges and fees to store water in the active management area in advance of groundwater replenishment obligations for the purpose of developing long-term storage credits. See the cash and investments footnote (Note 8) for risk disclosures as of December 31, 2009 and 2008, related to investments held by the Arizona State Treasurer.

Ak-Chin Account

In August 1985, the District's Board of Directors approved participation in an account established pursuant to legislation enacted by the Congress of the United States for the acquisition or conservation of water to supplement CAP water supplies (Ak-Chin account). The District and the United States government each have contributed \$1,000,000 to this account, which is administered by the District.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 9 – RESTRICTED ASSETS AND NET ASSETS RESTRICTED BY ENABLING LEGISLATION (CONTINUED)

Ak-Chin Account (Continued)

The District, acting as administrator of the account, is empowered to direct the expenditure of the trust funds in accordance with the provisions of a trust agreement between the District and the Arizona State Treasurer.

In November 2004, the Ak-Chin account was transferred from the LGIP to the CAWCD Long Term Pool, which invests primarily in U.S. Treasury, agency, corporate notes, mortgage backed securities/asset backed securities, and money market instruments with a minimum rating of A1/P1 and has a target duration of four to five years. See the cash and investments footnote (see Note 8) for the disclosures as of December 31, 2009 and 2008, related to investments held by the Arizona State Treasurer.

Captive Insurance

The Hawaii Insurance Division has established certain minimum capital and surplus requirements for the Captive. A minimum amount of \$250,000 in capital and surplus must be maintained at all times. As of December 31, 2009 and 2008, the Captive was in compliance with the minimum capital and surplus requirements of the State of Hawaii.

NOTE 10 – UNDERGROUND WATER STORAGE AND RECOVERY

In 1992, the District entered into an agreement with the Metropolitan Water District of Southern California (MWD) and subsequently with Southern Nevada Water Authority (SNWA), whereby up to an aggregate of 100,000 acre-feet of interstate underground water storage credits would be set aside for potential assignment to MWD and SNWA in years in which there is a surplus on the Colorado River. Once assigned, MWD and SNWA can request recovery of these credits in years in which there is a normal supply on the Colorado River. If assigned credits are recovered, the District must forbear diversion of Colorado River water in an amount diverted by MWD and SNWA, and recover the stored credits in an amount equal to the CAWCD's reduced diversion. In 1995, the agreement with MWD was amended, increasing the amount of water that can be stored from 100,000 acre-feet to 300,000 acre-feet. As of December 31, 2009 and 2008, a total of 89,000 acre-feet and 50,000 acre-feet of water were stored under this agreement on behalf of MWD and SNWA, respectively.

In 1999, the Secretary adopted regulations that allow the AWBA to engage in interstate banking of Colorado River water in cooperation with other lower basin states. The rules require agreements between the AWBA, the Secretary, and the authorized entity in the other lower basin state.

The AWBA has completed the agreements necessary to conduct interstate water banking with SNWA. Under the terms of the new agreement, the AWBA will store an additional 1,200,000 acre-feet of credits in Arizona for SNWA. The District has transferred credits previously stored by the District on behalf of SNWA (50,000 acre-feet) to the AWBA to hold in its SNWA storage account. At present, MWD has not entered into interstate storage agreements with AWBA required for MWD to participate in interstate water banking. During the 2007 to 2009 periods, the District recovered for Arizona and forebore on the Colorado River 72,750 acre-feet on behalf of MWD. As of December 31, 2009 and 2008, 8,159 and 35,663 acre-feet remain as recoverable credits, respectively.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 11 – BONDS PAYABLE

Bonds payable consist of the following (in thousands):

	<u>December 31, 2009</u>	<u>2008</u>
Central Arizona Water Conservation District (Central Arizona Project) Contract Revenue Refunding Bonds, Series A 1993 (1993 Bonds) (original maturity amount of \$106,535,000), due in varying annual amounts through 2010; interest rates vary among individual maturities ranging from 5.0% to 5.50%	\$ 13,745	\$ 27,785
Less current portion	<u>(13,745)</u>	<u>(14,075)</u>
	<u>\$ -</u>	<u>\$ 13,710</u>

Payments to Maturity-Bonds

The required annual payments for debt service are as follows (in thousands):

<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	<u>\$ 13,745</u>	<u>\$ 760</u>	<u>\$ 14,505</u>

Changes in bonds payable during the years ended December 31, 2009 and 2008, are summarized below (in thousands):

	<u>Balance December 31, 2008</u>	<u>Additions</u>	<u>Redemption</u>	<u>Accretion and Amortization</u>	<u>Balance December 31, 2009</u>	<u>Amounts Due Within One Year</u>
1993 Bonds	\$ 27,785	\$ -	\$ 14,075	\$ 35	\$ 13,745	\$ 13,745

	<u>Balance December 31, 2007</u>	<u>Additions</u>	<u>Redemption</u>	<u>Accretion and Amortization</u>	<u>Balance December 31, 2008</u>	<u>Amounts Due Within One Year</u>
1993 Bonds	\$ 41,079	\$ -	\$ 13,340	\$ 46	\$ 27,785	\$ 14,075

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 11 – BONDS PAYABLE (CONTINUED)

The 1993 Bonds are secured by a pledge of revenues, and related interest thereon, from the additional rate component charged by the District to the Salt River Project on the sale of 200 MW of allocated capacity of surplus power associated with Reclamation's 24.3% entitlement in Navajo.

Debt service requirement to maturity, which include the sinking fund requirement and interest of \$760,000 for the 1993 series of bond is as follows: Year ending: 2010: \$14,505,000.

NOTE 12 – NON-INDIAN AGRICULTURAL 9(d) DEBT

During 2007, and as the result of the Arizona Water Settlement Act (Note 5), long-term entitlements to CAP non-Indian Agricultural (NIA) water were relinquished by CAP NIA subcontractors. Those rights will be reallocated to municipal and industrial (M&I) users. Upon reallocation, the District will collect charges from those M&I users sufficient to repay the District's costs in facilitating the relinquishment of the agricultural water rights. In 2009, 9,026 acre-feet of agricultural water rights were relinquished by a NIA user.

The required annual payments related to the Non-Indian agriculture 9(d) debt obligation are as follows (in thousands):

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010-2025	\$ -	\$ -	\$ -
2026-2030	25,351	-	25,351
2031-2035	26,566	-	26,566
2036-2040	22,307	-	22,307
2041-2045	10,812	-	10,812
2046	3,683	-	3,683
Total	<u>\$ 88,719</u>	<u>\$ -</u>	<u>\$ 88,719</u>

NOTE 13 – OTHER NONCURRENT LIABILITIES

Other noncurrent liabilities consist of the following:

	<u>2009</u>	<u>2008</u> <i>(In thousands)</i>	<u>Change</u>
Retirees health insurance	\$ 352	\$ 34	\$ 318
Asset retirement obligation (Note 17)	10,016	9,539	477
Deferred revenue	2,064	2,064	-
	<u>\$ 12,432</u>	<u>\$ 11,637</u>	<u>\$ 795</u>

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Insurance Reserve

The District's Board of Directors has designated \$5,000,000 of noncurrent unrestricted investments to act as a reserve for property and liability damages to be available to respond to any claims, judgments, and related costs against the District, its officers, directors, and employees, if any, in excess of the outstanding insurance coverage.

Litigation

The District has intervened in an action that challenges the Secretary's authority to reallocate CAP water as called for by the Repayment Settlement and in an action that challenges the operation of Glen Canyon Dam. The District has also participated in certain cases and administrative proceedings that could affect the District's ability to operate the CAP as intended, increase the costs of operating the CAP or reduce District revenues going forward. The outcome of these matters cannot be predicted at this time.

NOTE 15 – PENSION PLANS

Benefits were provided for service prior to July 1, 1998, through the Central Arizona Water Conservation District Retirement Plan (the District Plan) and from July 1, 1998 through December 31, 2009, through the Arizona State Retirement System Plan (ASRS Plan). Employees retired or terminated prior to July 1, 1998, or their beneficiaries, continue to be provided benefits through the District Plan, which was terminated in 2004. Annuities were purchased during 2004 to cover remaining obligations.

Arizona State Retirement System Plan

Effective July 1, 1998, the District became a member of the ASRS, a cost-sharing, multiple-employer, public employee retirement system established by the State of Arizona to provide benefits for employees of the State and participating political subdivisions and school districts. The ASRS Board administers the ASRS Plan, which is a defined benefit pension plan. The ASRS Plan provides for retirement, disability, health insurance premium benefits, and death and survivor benefits as established by State statute. Substantially all employees of the District are covered by the ASRS Plan.

The ASRS Plan issues a Comprehensive Annual Financial Report, including financial statements and supplemental information, which may be obtained by writing to Arizona State Retirement System, 3300 North Central Avenue, P.O. Box 33910, Phoenix Arizona 85067-3910 or by calling (602) 240-2000 or 1-800-621-3778.

The Arizona Revised Statutes provide statutory authority for determining the employees' and employers' contribution amounts as a percentage of covered payroll. Employers are required to contribute at the same rate as employees. The employee and employer contribution rates for the ASRS Plan years ended June 30, 2009, June 30, 2008, and June 30, 2007, were set at 9.45%, 9.60%, and 9.10%, respectively, of covered wages as determined by actuarial computations. The contribution rate for plan year ending June 30, 2010, will be 9.85%.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 15 – PENSION PLANS (CONTINUED)

Arizona State Retirement System Plan (Continued)

Contributions for calendar years 2009, 2008, and 2007 were \$7,635,362, \$7,262,300, and \$6,766,961, respectively, for the District, and were 100% of the contributions assessed by ASRS.

NOTE 16 – SAVINGS AND DEFERRED COMPENSATION PLANS

The District has adopted and maintains the Central Arizona Water Conservation District Savings Plan (Savings Plan), a defined contribution plan, in accordance with Section 401(k) of the Internal Revenue Code. The Savings Plan provides that all active, nonunion employees are eligible to participate as of their date of employment. The Savings Plan is governed by the Board of Trustees.

Eligible employees are allowed to contribute up to 16% of their biweekly compensation, and the District has agreed to contribute to an employee's account an amount equal to one-half of the amount contributed by the employee up to three percent of the employee's biweekly compensation. Contributions expense, paid by the District for the Savings Plan for the years ended December 31, 2009 and 2008, was approximately \$903,000 and \$879,000, respectively. Accrued benefits attributable to the District's contributions on behalf of participants vest 20% for each year of completed service.

During 2003, the District adopted and currently maintains the Central Arizona Water Conservation District Deferred Compensation Plan in accordance with Section 457 of the Internal Revenue Code. The District does not make contributions to this plan. Only employee contributions are accepted.

NOTE 17 – ASSET RETIREMENT OBLIGATION

The District has used applicable FASB Standards as a guide in accounting for the liabilities associated with the Navajo Generating Station due to the absence of applicable GASB standards. The standard requires that these liabilities be recognized at fair value as incurred and capitalized as part of the related tangible long-lived assets. Accretion of the liability due to the passage of time is an operating expense and the capitalized cost is depreciated over the useful life of the long-lived asset. Prior to January 1, 2003, the District accrued asset retirement obligations over the life of the related asset through depreciation expense.

The District has an asset retirement obligation for the Navajo Generating Station, of which the District's share is 24.3%. The asset retirement obligation primarily relates to final plant decommissioning. This obligation is based on the requirements for removing portions of the plant at the end of the lease term. The estimated liability for the District's portion of the decommissioning in 2044 is approximately \$32,420,000. This amount was adjusted in 2008 due to a new study and the new amount is \$53,736,000.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 17 – ASSET RETIREMENT OBLIGATION

On January 1, 2003, the District recorded a liability of \$4,177,000 for its asset retirement obligations, including the accretion impacts; a \$1,826,000 increase in the carrying amount of the associated assets; and a net reduction of \$715,000 in accumulated depreciation. The net accretion for the year ended December 31, 2009 was \$604,000 and for the year ended December 31, 2008 was \$622,000.

The following schedule shows the change in the District's asset retirement obligations, included in other noncurrent liabilities (Note 13), during the years ended December 31, 2009 and 2008, (in thousands):

	<u>2009</u>	<u>2008</u>
Balance at January 1	\$ 9,539	\$ 5,331
Changes attributable to accretion expense and new retirement cost report done in 2008	<u>477</u>	<u>4,208</u>
Balance at December 31	<u>\$ 10,016</u>	<u>\$ 9,539</u>

NOTE 18 – TAX LEVY AUTHORITY

The District has the authority to levy two limited ad valorem taxes against all taxable property within its boundaries. The first ad valorem tax, which may not exceed 10 cents per \$100 of assessed valuation, is for the District's operations and payment of the District's repayment obligation to the United States. The second ad valorem tax, which may not exceed 4 cents per \$100 of assessed valuation, is for water storage to the extent that it is not required for the District's operations or payment of the repayment obligation. The ad valorem tax for operations and repayment was levied at 8 cents per \$100 of assessed valuation for the tax years ended 2005 and 2006. For tax years 2007 through 2009, the rate was 6 cents per \$100 of assessed valuation. The ad valorem tax for water storage was levied at 4 cents per \$100 of assessed valuation for the tax years ended 2005 through 2009. The ad valorem tax for water storage is deposited with the District to be used by the District to defray the annual operation, maintenance and replacement cost associated with the purchase of CAP water by the AWBA. The respective counties collect property taxes on behalf of the District.

The ad valorem property tax is levied against all taxable property in the District. In each county within the District, the County Assessor establishes a full cash value for each parcel of taxable property. Based on the applicable property classification ratio, the assessed value of each parcel is determined. (For example, commercial and industrial property is assessed at 25% of full cash value, and owner-occupied residential property is assessed at 10% of full cash value.) The property taxes due to the District are billed, along with State, County and other property taxes, in September of each year and are payable in two installments, October and March. The delinquent tax dates are November 1 and May 1 and delinquent taxes are subject to a penalty of 16% per annum unless the full year tax is paid by December 31. At the close of the tax collection period, the County Treasurer prepares a delinquent property tax list and the property so listed is advertised for sale in February of the succeeding year. In the event that there is no purchaser for the property at the tax sale, the title to such property is vested in the State, and the property is reoffered for sale from time to time until such time as it is sold, subject to redemption, for an amount sufficient to cover all delinquent and current taxes.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 18 – TAX LEVY AUTHORITY (CONTINUED)

Additional information concerning the full cash value and assessed value of property within the District's service area, tax levies and tax collections appears in the Other District Information section.

NOTE 19 – RISK MANAGEMENT AND CAPTIVE INSURANCE

The District maintains a risk management program to protect it from financial harm by identifying, analyzing and controlling risk at the lowest possible cost. Under this program, the District believes it is more economical to manage risks internally and insure for catastrophic loss. The District's Board of Directors has designated \$5,000,000 of noncurrent unrestricted investments as a reserve for property and liability damages. With the exception of automobile physical damage, which is self-insured, the District insures itself through the CAWCD Insurance Company, Inc. (Captive).

The Captive was incorporated under the laws of the State of Hawaii as a nonprofit captive insurance company pursuant to Article 19 of Chapter 431 of the Hawaii Revised Statutes. The Captive received its Certificate of Authority from the Hawaii Insurance Division on December 18, 2003 and operations commenced on January 1, 2004. The Certificate of Authority enables the Captive to operate as a captive insurance company in the State of Hawaii. The District is the sole member of the Captive. The Captive provides the first \$2,000,000 of coverage on all lines of coverage. The District also purchases reinsurance on property, public officials' liability and workers' compensation over the \$2,000,000 covered by the Captive.

Reserve for Losses and Loss Expenses

The reserve for losses and loss expenses includes the unpaid accumulation of case estimates for losses reported, estimates for losses incurred but not reported, and estimates of expenses for investigating and adjusting incurred losses. The reserve for unpaid losses and loss expenses is based upon the aggregated loss experience of the District and is estimated using individual case-basis valuations and statistical analysis. These estimates are subject to the effects of trends in loss severity and frequency. However, management believes the reserve for losses and loss expenses is adequate. The estimates are continually reviewed and adjusted, as necessary, as experience develops or new information becomes known; such adjustments are included in current operations.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 19 – RISK MANAGEMENT AND CAPTIVE INSURANCE (CONTINUED)

The following table provides a reconciliation of the beginning and ending balances of the reserve for losses and loss expenses (included in accounts payable) at December 31:

	<u>2009</u>	<u>2008</u>
Balance at January 1	\$ 1,085,138	\$ 1,028,018
Add provision for losses and loss expenses for claims occurring during:		
Current year	573,003	705,241
Prior year	<u>196,319</u>	<u>(156,666)</u>
	<u>769,322</u>	<u>548,575</u>
Deduct losses and loss expense payments for claims occurring during:		
Current year	237,772	164,379
Prior year	<u>225,220</u>	<u>327,076</u>
	<u>462,992</u>	<u>491,455</u>
Balance at December 31	<u>\$ 1,391,468</u>	<u>\$ 1,085,138</u>

The provision for losses and loss expenses increased from the prior year because of higher than expected losses for prior year claims related to the Company's workers' compensation and property risks.

NOTE 20 – MULTI-SPECIES CONSERVATION PROGRAM

On March 3, 2005, the District's Board of Directors adopted a resolution authorizing participation in the Lower Colorado River Multi-Species Conservation Program (LCR MSCP) and approving related documents.

The LCR MSCP is a comprehensive program for the protection of 26 covered species and their habitat in the Lower Colorado River Basin, including six endangered and threatened species. The purpose of the LCR MSCP is to comply with the Endangered Species Act (Act) and thereby protect existing and future activities associated with water use and power production.

The LCR MSCP is intended to satisfy the requirements of Section 7 of the Act for the federal agencies involved and the requirements for issuance of a Section 10 permit to the non-federal participants for the non-federal activities covered by the program.

The covered Arizona activities include on-going diversions of Colorado River water by users such as the CAP, future diversions, including transfers of Colorado River entitlements and changes in the points of diversion of up to 200,000 acre-feet per year, and on-going and future use of hydropower from Hoover, Parker and Davis Dams. The Section 10 permit issued to Arizona participants, including the District, authorizes the "incidental taking" of covered species during the course of carrying out covered activities.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 20 – MULTI-SPECIES CONSERVATION PROGRAM (CONTINUED)

The total costs of the program are approximately \$626,000,000, in 2003 dollars, over the 50-year period of the program and the permit (adjusted for inflation over the fifty years this amount is estimated to be \$1,287,506,000). The federal government will bear 50% of this cost. The Lower Basin States of Arizona, California and Nevada will bear the other 50%. Of the share allocated to the States, Arizona will bear 25%, or approximately \$78 million. The payments due each fiscal year will be indexed for inflation on an annual basis. The District's cost associated with the program was \$629,000 and \$416,000 in 2009 and 2008, respectively.

The Arizona participants in the program include 26 entities that are agencies that have been actively involved in developing the program since its inception or are water or power users that want the protection of the Section 10 permit. The documents include: an Implementing Agreement among state and federal participants; a Funding and Management Agreement among state and federal participants; a Trust Indenture and Joint Payment Agreement from Arizona participants to a trustee; and a Permit issued by the United States Fish and Wildlife Service.

The Implementing Agreement essentially defines the relationship of the parties to the Fish and Wildlife Service with respect to the LCR MSCP. The Funding and Management Agreement defines the obligations of the state parties and Reclamation with respect to payment of MSCP costs. The Trust Indenture and Joint Payment Agreement from Arizona participants to a trustee defines the relationship of the Arizona parties with respect to payment of Arizona's share of MSCP costs. The Permit issued by the United States Fish and Wildlife Service is the document that gives the state parties the right to "take" species during the course of carrying out otherwise lawful activities such as water diversion and power use.

The Funding and Management Agreement allows Arizona to pay less than 25% of the States' costs during the first ten years, in return for agreeing to make up the difference between what it pays in the early years and 25% over the next 20 years, with an inflation adjustment at the agreed rate. The District has agreed to underwrite payment of Arizona's share of MSCP costs. The District may elect to pay the full 25% at any time.

Under the Trust Indenture and Joint Payment Agreement, water and power users named in the Permit are required to share in paying Arizona's share of MSCP costs. Pre-1968 and post-1968 water users (including the District) will pay 25 cents per acre-foot of consumptive use of Colorado River water during the first ten years of the program; pre-1968 water users will pay 50 cents per acre-foot thereafter and post-1968 water users (including the District) will pay \$1.00 per acre-foot thereafter. These amounts are in 2003 dollars, and are to be escalated by a specified inflation index. Power users in Arizona will pay 12.5% of Arizona's costs. The District will have the obligation under the Trust Indenture and Joint Payment Agreement to pay any portion of the Arizona obligation that is not covered by the payments made by other Arizona participants. No party will have any right to enforce the obligation to pay other than through requesting that the Fish and Wildlife Service suspend or revoke the Permit as to any party that fails to pay its share.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 21 – POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description

Upon retirement, retirees have the choice of joining the ASRS retiree healthcare plan or the District's plan. The ASRS Plan issues a Comprehensive Annual Financial Report, including financial statements and supplemental information, which may be obtained by writing to Arizona State Retirement System, 3300 North Central Avenue, P.O. Box 33910, Phoenix Arizona 85067-3910 or by calling (602) 240-2000 or 1-800-621-3778. The District's self insured employee and retiree health plan is a single-employer defined benefit plan. Eligible retirees are provided medical, dental and life insurance benefits for spouses and family.

Funding Policy

The District's plan is financed on a pay-as-you-go basis. During 2009, plan members contributed \$237,942 of the annual required contribution of \$556,411 or 42.76%. The board of directors approves the contribution requirements yearly.

Retirees Contribution Rates for 2009	
Retirees Monthly Medical Rates (prior to ASRS subsidy)	
Pre Age 65	
Retiree Only	\$496.92
Retiree + 1	\$1,212.48
Retiree + Family	\$1,629.86
Post Age 65	
Retiree Only	\$372.69
Retiree + 1	\$909.36
Retiree + Family	\$1,239.95
Retirees Monthly Dental Rates	
Retiree Only	\$31.90
Retiree + 1	\$89.55
Retiree + Family	\$147.85
Retirees Monthly Life Insurance Rates	
Retiree Only	\$4.10
Retiree + 1	\$2.05

Required Supplementary Information Schedule of Employer Contributions			
Plan Year Beginning	Annual Required Contributions	Actual Contributions	Percentage Contributed
January 1, 2007	\$196,000	\$71,843	36.65%
January 1, 2008	\$306,730	\$406,202	132.40%
January 1, 2009	\$556,411	\$237,942	42.76%

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 21 – POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

The total cost of providing postemployment benefits is projected. This amount is then discounted to determine the actuarial present value of the projected cost of these benefits (APB). The actuarial accrued liability (AAL) is the portion of the present value of the total projected benefits allocated to years of employment prior to the measurement date. The unfunded actuarial accrued liability (UAAL) is the difference between the AAL and actuarial value of assets in the plan.

Required Supplementary Information Schedule of Funding Progress				
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Underfunded/ (Overfunded) AAL (UAAL) (b) – (a)	Funded Ratio (a) ÷ (b)
January 1, 2007	\$0	\$1,731,466	\$1,731,466	0%
January 1, 2008	\$0	\$2,825,134	\$2,825,134	0%
January 1, 2009	\$0	\$4,903,428	\$4,903,428	0%

The District's annual other postemployment benefit (OPEB) expense is calculated based on the annual required contribution of the District (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Districts' OPEB obligation.

Required Supplementary Information Net OPEB Obligation (NOO)							
Fiscal Year Beginning	Annual Required Contribution (a)	Interest on Existing NOO (b)	ARC Adjustment (c)	Annual OPEB Cost (a) + (b) + (c) (d)	Actual Contribution Amount (e)	Net Increase (Decrease) in NOO (d) – (e) (f)	NOO as of End of Year (g)
January 1, 2007	\$196,696	\$0	\$0	\$196,696	\$71,843	\$124,853	\$124,853
January 1, 2008	\$306,730	\$5,618	(\$7,793)	\$304,555	\$406,202	(\$101,647)	\$23,206
January 1, 2009	\$556,411	\$1,044	(\$1,473)	\$555,982	\$237,942	\$318,040	\$341,246

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

Funding Progress

As stated above the plan members contributed \$237,942 of the annual required contribution of \$556,441 or 42.76% for the plan year ended 2009.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Calculations and projections are based on the benefits provided under the terms of the substantive plan (the plan understood by the District and the plan members) in effect at the time of valuation on the pattern of sharing costs between the District and plan members. The projection of benefits does not incorporate the potential effect of legal or contractual funding limitations on the pattern of cost sharing between the District and plan members in the future.

Actuarial calculations reflect a long-term perspective, and the methods and assumptions use techniques designed to reduce short term volatility in accrued liabilities and the actuarial value of assets.

The calculation of an accounting obligation does not, in and of itself, imply that there is any legal liability to provide the benefits valued, nor is there any implication that the District is required to implement a funding policy to satisfy the projected expense.

Required Supplementary Information			
Valuation date	January 1, 2009		
Actuarial cost method	Entry age normal, level annual dollar amount		
Amortization method	30-year closed amortization, with initial payment determined as if future payments would theoretically remain on a level dollar basis		
Remaining amortization period	28 years as of January 1, 2009		
Asset valuation method	N/A		
Actuarial assumptions:			
Discount rate	4.50%		
Projected payroll increases	N/A		
Health care cost trend rate:			
Medical and Drug	9% from January 1, 2009 to December 31, 2009, decreasing by 1% each year until it reaches an ultimate rate of 5%		
Plan membership:	January 1, 2009	January 1, 2008	January 1, 2007
Current retirees and dependents	71	75	81
Current active members	<u>441</u>	<u>425</u>	<u>477</u>
Total	<u><u>512</u></u>	<u><u>500</u></u>	<u><u>558</u></u>

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 22 – SELF INSURANCE

The District is partially self-insured for their health and dental plans and stop loss coverage has been purchased for individual losses exceeding \$125,000 and aggregate losses exceeding \$750,000. The estimated expense for incurred, but not paid or reported claims is recorded by charges to operations based on claims experience and pending claims. The District's self-insurance expense was \$3,154,000 and \$2,989,000 in 2009 and 2008, respectively.

OTHER FINANCIAL INFORMATION

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
BALANCE SHEETS – BY FUND AND ACCOUNT
December 31, 2009
(In Thousands)

	Total	Reclassifications and Eliminations	General Fund	Ak-Chin Account	Central Arizona Ground Water Replenishment District Account	Series A & B Bond Account	Captive Insurance Company
Assets							
Current assets:							
Cash	\$ 7,297	\$ -	\$ 5,651	\$ -	\$ 4	\$ -	\$ 1,642
Cash equivalents	190,225	-	172,061	-	18,164	-	-
Total cash and cash equivalents	<u>197,522</u>	-	177,712	-	18,168	-	1,642
Receivables:							
Accrued interest receivable	-	-	-	-	-	-	-
Due from water customers, less allowance for doubtful accounts	28,250	-	28,250	-	-	-	-
Other	9,250	-	5,316	-	3,934	-	-
Water inventory	31,143	-	23,909	-	7,234	-	-
Interfund receivable	-	(644)	644	-	-	-	-
Other	980	-	970	-	-	-	10
Total current assets	<u>267,145</u>	(644)	236,801	-	29,336	-	1,652
Noncurrent assets:							
Funds held by federal government	23,823	-	23,823	-	-	-	-
Investments	68,258	(350)	68,213	-	-	-	395
Restricted assets	109,336	-	76,741	7,211	8,003	17,131	250
Agriculture water rights	88,719	-	88,719	-	-	-	-
Capital assets, less accumulated depreciation	136,587	-	133,210	-	3,377	-	-
Permanent service right, less accumulated amortization	1,309,281	-	1,309,281	-	-	-	-
Other assets, less accumulated amortization	-	-	-	-	-	-	-
Total noncurrent assets	<u>1,736,004</u>	(350)	1,699,987	7,211	11,380	17,131	645
Total assets	<u>\$2,003,149</u>	\$ (994)	\$1,936,788	\$ 7,211	\$ 40,716	\$ 17,131	\$ 2,297

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
BALANCE SHEETS – BY FUND AND ACCOUNT
December 31, 2009
(In Thousands)

	Total	Reclassifications and Eliminations	General Fund	Ak-Chin Account	Central Arizona Ground Water Replenishment District Account	Series A & B Bond Account	Captive Insurance Company
Liabilities							
Current liabilities:							
Accounts payable	\$ 30,862	\$ -	\$ 24,163	\$ -	\$ 4,836	\$ 427	\$ 1,436
Accrued payroll, payroll taxes and other accrued expenses	7,200	-	7,200	-	-	-	-
Water operations and capital charges deferred revenue	24,320	-	24,320	-	-	-	-
Interfund payable	-	(644)	-	-	644	-	-
Current liabilities payable from restricted assets, advances to federal government, and other noncurrent assets:							
Accrued interest payable	30,762	-	30,636	-	-	126	-
Repayment obligation, due within one year	25,167	-	25,167	-	-	-	-
Contract revenue bonds, due within one year	13,745	-	-	-	-	13,745	-
OM&R Reconciliation Obligation	-	-	-	-	-	-	-
Total current liabilities	132,056	(644)	111,486	-	5,480	14,298	1,436
Noncurrent liabilities:							
Repayment obligation, due after one year	1,321,167	-	1,321,167	-	-	-	-
Non-Indian agricultural 9(d) debt	88,719	-	88,719	-	-	-	-
Other noncurrent liabilities	12,432	-	12,432	-	-	-	-
Total noncurrent liabilities	1,422,318	-	1,422,318	-	-	-	-
Total liabilities	1,554,374	(644)	1,533,804	-	5,480	14,298	1,436
Net assets (deficits)							
Invested in capital assets, less related debt	85,789	-	96,157	-	3,377	(13,745)	-
Restricted bond trust accounts, Ground Water Replenishment District, master repayment agreement, Ak-Chin account, Captive Insurance Company	78,147	-	46,106	7,211	8,003	16,577	250
Unrestricted	284,839	(350)	260,722	-	23,856	-	611
Total net assets (deficit)	448,775	(350)	402,985	7,211	35,236	2,832	861
Total liabilities and net assets	\$2,003,149	\$ (994)	\$1,936,789	\$ 7,211	\$ 40,716	\$ 17,130	\$ 2,297

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS – BY FUND AND ACCOUNT
Year Ended December 31, 2009
(In Thousands)

	Total	Reclassifications and Eliminations	General Fund	Ak-Chin Account	Central Arizona Ground Water Replenishment District Account	Series A & B Bond Account	Captive Insurance Company
Operating revenues							
Water operations and maintenance charges	\$ 127,395	\$ (4,275)	\$ 131,670	\$ -	\$ -	\$ -	\$ -
Water service capital charges	13,745	(663)	14,408	-	-	-	-
Power and Basin Development Fund revenues	48,630	-	42,630	-	-	6,000	-
Reimbursements and other operating revenues	15,010	(1,738)	3,527	-	12,298	-	923
Total operating revenues	<u>204,780</u>	<u>(6,676)</u>	<u>192,235</u>	<u>-</u>	<u>12,298</u>	<u>6,000</u>	<u>923</u>
Operating expenses							
Salaries and related costs	49,075	(569)	49,080	-	564	-	-
Pumping power	89,614	-	89,614	-	-	-	-
Transmission and capacity charges	6,434	-	6,434	-	-	-	-
Amortization of permanent service right	29,716	-	29,716	-	-	-	-
Depreciation	11,296	-	11,296	-	-	-	-
Other operating expenses	21,700	(6,107)	21,273	-	5,601	12	921
Total operating expenses	<u>207,835</u>	<u>(6,676)</u>	<u>207,413</u>	<u>-</u>	<u>6,165</u>	<u>12</u>	<u>921</u>
Operating income (loss)	<u>(3,055)</u>	<u>-</u>	<u>(15,178)</u>	<u>-</u>	<u>6,133</u>	<u>5,988</u>	<u>2</u>
Nonoperating revenues (expenses)							
Property taxes	69,941	-	69,941	-	-	-	-
Interest income and other nonoperating revenues	11,802	-	9,290	408	96	1,991	17
Interest expense and other nonoperating expenses	(32,224)	-	(30,624)	-	-	(1,600)	-
Total nonoperating revenues (expenses)	<u>49,519</u>	<u>-</u>	<u>48,607</u>	<u>408</u>	<u>96</u>	<u>391</u>	<u>17</u>
Change in net assets	46,464	-	33,429	408	6,229	6,379	19
Net assets at beginning of year	398,939	(350)	369,556	6,803	25,635	(3,547)	842
Cumulative-effect of Change in Accounting Principle	3,372	-	-	-	3,372	-	-
Net assets at beginning of year, as restated	<u>402,311</u>	<u>(350)</u>	<u>369,556</u>	<u>6,803</u>	<u>29,007</u>	<u>(3,547)</u>	<u>842</u>
Net assets at end of year	<u>\$ 448,775</u>	<u>\$ (350)</u>	<u>\$ 402,985</u>	<u>\$ 7,211</u>	<u>\$ 35,236</u>	<u>\$ 2,832</u>	<u>\$ 861</u>

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
(CENTRAL ARIZONA PROJECT) CONTRACT REVENUE BONDS, SERIES A 1990, AND
CONTRACT REVENUE REFUNDING BONDS, SERIES A 1993
SCHEDULE OF ACTIVITY – BOND ACCOUNT
Year Ended December 31, 2009**

Description	Bond Account		
	Principal Sub-Account	Interest Sub-Account	Interest Sub-Account
	<i>(In Thousands)</i>		
Balance at December 31, 2008	\$ 7,475	\$ 256	\$ -
Transfers from:			
Revenue Fund	7,937	1,278	-
Interest payments	-	(1,534)	-
Redemptions	(14,075)	-	-
Interest earned on account	838	28	-
Interest transferred to revenue fund	(838)	(28)	-
Balance at December 31, 2009	<u>\$ 1,337</u>	<u>\$ 0</u>	<u>-</u>

Note 1: The above schedule discloses only activity in the Principal and Interest Sub-Accounts of the Bond Fund as established by the Bond Indenture relating to the Contract Revenue Refunding Bonds between the Central Arizona Water Conservation District and Bank of New York (California), as trustee, dated May 1, 1990 as amended by the Supplemental Indentures dated March 1, 1993, and September 1, 2001, and does not include activity in various other accounts and funds held by the trustee pursuant thereto.

OTHER DISTRICT INFORMATION (UNAUDITED)

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
OTHER DISTRICT INFORMATION (Unaudited)
NET ASSETS BY COMPONENT – LAST TEN YEARS
(Dollars in Millions)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Invested in capital assets, net of related debt	\$ (125)	\$ (109)	\$ (100)	\$ (80)	\$ (58)	\$ (39)	\$ (18)	\$ 19	\$ 36	\$ 86
Restricted	96	63	58	55	57	58	64	53	66	78
Unrestricted	184	189	193	180	178	206	237	307	297	285
Total net assets	\$ 155	\$ 143	\$ 151	\$ 155	\$ 177	\$ 225	\$ 283	\$ 379	\$ 399	\$ 449

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
OTHER DISTRICT INFORMATION (Unaudited)
CHANGE IN NET ASSETS – LAST TEN YEARS
(Dollars in Thousands)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Operating revenues										
Water operations & maintenance charges	\$ 60,516	\$ 56,892	\$ 73,964	\$ 71,115	\$ 89,840	\$ 92,126	\$ 111,922	\$ 108,792	\$ 97,660	\$ 127,395
Water service capital charges	28,283	25,417	28,585	25,765	19,416	20,283	19,303	46,734	13,815	13,745
Power & Basin Fund revenues	51,533	56,747	61,333	53,068	59,494	75,729	70,263	64,149	49,639	48,630
Reimbursements & other operating revenues	3,729	5,561	3,914	12,991	16,328	9,848	13,370	14,752	14,943	15,010
Total operating revenues	144,061	144,617	167,796	162,939	185,078	197,986	214,858	234,427	176,057	204,780
Total operating expenses	123,424	148,641	149,977	150,817	170,574	164,763	183,553	190,242	195,652	207,835
Operating income (loss)	20,637	(4,024)	17,819	12,122	14,504	33,223	31,305	44,185	(19,595)	(3,055)
Nonoperating revenues (expenses)										
Property taxes, less assignment to AWBA	23,629	24,152	27,113	33,619	42,864	46,267	51,230	57,039	65,027	69,941
Interest income	21,009	16,410	11,920	7,171	7,126	9,416	14,958	31,738	10,685	11,802
Interest expense & other nonoperating expenses	(49,895)	(48,553)	(48,736)	(45,984)	(42,786)	(40,975)	(38,996)	(37,467)	(35,802)	(32,224)
Total nonoperating revenues (expenses)	(5,257)	(7,991)	(9,703)	(5,194)	7,204	14,708	27,192	51,310	39,910	49,519
Change in net assets	15,380	(12,015)	8,116	6,928	21,708	47,931	58,497	95,495	20,315	46,464
Net assets at beginning of year	139,650	155,030	143,015	151,131	154,993	176,701	224,632	283,129	378,624	398,939
Cumulative effect of change in accounting principle	–	–	–	(3,066)	–	–	–	–	–	3,372
Net assets at beginning of year, as restated	139,650	155,030	143,015	148,065	154,993	176,701	224,632	283,129	378,624	402,311
Net assets at end of year	\$ 155,030	\$ 143,015	\$ 151,131	\$ 154,993	\$ 176,701	\$ 224,632	\$ 283,129	\$ 378,624	\$ 398,939	\$ 448,775

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
OTHER DISTRICT INFORMATION (Unaudited)
SET WATER DELIVERY RATES FOR VARIOUS CLASSES OF WATER SERVICE – LAST NINE FISCAL YEARS**

Units = \$/acre-foot

(The Letter Designations in the Formulas Refer to the Rate Components Shown Below)

	2001	2002	2003	2004	2005	2006	2007	2008	2009
Municipal and Industrial									
Long Term Subcontract (C+D)	\$ 58	\$ 62	\$ 66	\$ 74	\$ 79	\$ 82	\$ 87	\$ 91	\$ 108
Excess Water (A+C+D)	101	105	109	106	107	106	108	112	126
Supplemental Excess Water (D)	-	-	-	-	-	33	35	36	45
AWBA/CAGRDR Recharge (0.1xC+E+H)	45	55	54	70	73	82	61	51	82
Incentive Recharge (0.1xC+E+H)	45	55	54	70	73	82	61	51	82
AWBA Interstate Recharge (A+C+F+G)	164	189	144	161	153	174	210	217	233
Federal (C+D)	58	62	66	74	79	82	87	91	108
Agricultural									
Pool 1	34	35	36	-	-	-	-	-	-
Pool 2	24	25	26	-	-	-	-	-	-
Pool 3	36	36	38	-	-	-	-	-	-
RSEDRA (Drought)	-	36	38	-	-	-	-	-	-
Settlement Pool (D)	-	-	-	28	32	33	35	36	45
Long Term Subcontract (B+C+D)	-	-	-	76	81	84	89	93	110
Supplemental Excess Water (D)	-	-	-	-	-	33	35	36	45
Agricultural Incentive	-	-	-	-	-	-	-	-	(6)
Meet Settlement Pool Goals	-	-	-	-	-	-	-	-	(1)
Meet AWBA/CAGRDR GSF Goals	-	-	-	-	-	-	-	-	(1)
Meet Recovery Goals	-	-	-	-	-	-	-	-	-
Miscellaneous (E+\$5/af)	45	55	53	66	67	77	56	46	75
<u>RATE COMPONENTS</u>									
Capital Charges									
(A) Municipal and Industrial - Long Term Subcontract	43	43	40	32	28	24	21	21	18
(B) Agricultural - Long Term Subcontract	2	2	2	2	2	2	2	2	2
Delivery Charges									
(C) Fixed OM&R	29	33	35	46	47	49	52	55	63
(D) Pumping Energy Rate 1	29	29	31	28	32	33	35	36	45
(E) Pumping Energy Rate 2	40	50	48	61	62	72	51	41	70
(F) Pumping Energy Rate 3	72	95	46	62	58	80	112	115	125
(G) Property Tax Equivalency	-	20	20	20	20	21	25	26	27
(H) Lost Federal Revenues	2	2	2	4	6	5	5	5	n/a

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
OTHER DISTRICT INFORMATION (Unaudited)
SET WATER DELIVERY RATES FOR VARIOUS CLASSES OF WATER SERVICE – LAST NINE FISCAL YEARS
Units = \$/acre-foot
(The Letter Designations in the Formulas Refer to the Rate Components Shown Below)

	2001	2002	2003	2004	2005	2006	2007	2008	2009
<u>DIRECT RECHARGE</u>									
Recharge O&M									
Phoenix AMA	\$ -	\$ -	\$ -	\$ 8	\$ 8	\$ 8	\$ 8	\$ 8	\$ 8
Avra Valley	21	21	25	-	-	-	-	-	-
Pima Mine Road	6	6	7	-	-	-	-	-	-
Lower Santa Cruz	13	13	11	-	-	-	-	-	-
Agua Fria	2	4	4	-	-	-	-	-	-
Hieroglyphic Mountains	N/A	8	9	-	-	-	-	-	-
Tonopah	N/A	N/A	N/A	-	-	-	-	-	-
Tucson AMA	-	-	-	11	12	12	13	15	15
Recharge Capital Charge									
Phoenix AMA	N/A	N/A	N/A	15	15	15	15	15	15
Tucson AMA	N/A	N/A	N/A	9	9	9	9	9	9

Qualifications for Various Classes of Water Service

Long Term Municipal and Industrial (M&I) Subcontract--M&I subcontractors.

Excess--M&I users who are not subcontractors and the CAGRDR; rate is for "as available" water.

AWBA/CAGRDR and M&I Incentive Recharge--The Arizona Water Banking Authority (available for scheduling after all other schedules have been filled) and M&I subcontractors and other Arizona entities who have valid Arizona Department of Water Resources permits and accrue long term recharge/storage credits from this activity.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
OTHER DISTRICT INFORMATION (Unaudited)
CENTRAL ARIZONA GROUNDWATER REPLENISHMENT DISTRICT ASSESSMENT RATES – LAST TEN YEARS
Units = \$/acre-foot

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Phoenix Active Management Area										
Water & Replenishment Component	\$ –	\$ –	\$ –	\$ 116	\$ 117	\$ 101	\$ 107	\$ 112	\$ 134	\$ 143
Administrative Component	–	–	–	45	40	40	30	28	33	33
Infrastructure & Water Rights Component	–	–	–	15	20	40	77	79	91	101
Replenishment Reserve Charge	–	–	–	12	28	31	22	21	33	41
Total Assessment Rate (\$/AF)	187	189	164	188	205	212	236	240	291	318
Pinal Active Management Area										
Water & Replenishment Component	–	–	–	109	80	81	79	87	100	107
Administrative Component	–	–	–	45	40	40	30	28	33	33
Infrastructure & Water Rights Component	–	–	–	15	20	40	77	79	91	101
Replenishment Reserve Charge	–	–	–	–	21	31	24	25	31	38
Total Assessment Rate (\$/AF)	161	161	165	169	161	192	210	219	255	279
Tucson Active Management Area										
Water & Replenishment Component	–	–	–	127	121	115	123	133	143	153
Administrative Component	–	–	–	45	40	40	30	28	33	33
Infrastructure & Water Rights Component	–	–	–	15	20	40	77	79	91	101
Replenishment Reserve Charge	–	–	–	12	27	31	21	25	39	46
Total Assessment Rate (\$/AF)	187	188	198	199	208	226	251	265	306	333
Contract Replenishment Tax - Scottsdale										
Cost of Water	–	–	–	109	106	107	106	108	112	126
Cost of Transportation	–	–	–	–	–	–	–	–	–	–
Cost of Replenishment	–	–	–	–	–	–	–	–	–	–
Administrative Component	–	–	–	45	40	40	30	28	33	33
Total Tax Rate (\$/AF)	N/A	N/A	N/A	154	146	147	136	136	145	159
Enrollment Fee	N/A	N/A	N/A	N/A	20	20	23	23	26	83
Activation Fee	N/A	N/A	N/A	N/A	60	60	62	63	73	81

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
OTHER DISTRICT INFORMATION (Unaudited)
ACRE/FEET OF WATER DELIVERED BY WATER CUSTOMER TYPE – LAST NINE FISCAL YEARS**

Description	2001	2002	2003	2004	2005	2006	2007	2008	2009
Municipal & Industrial	263,284	372,853	520,307	560,398	394,231	429,755	567,498	502,764	509,075
Agricultural	471,203	584,929	555,372	400,967	381,731	436,846	408,137	405,650	397,694
Federal	123,584	134,897	139,367	191,477	137,705	145,094	154,227	192,336	233,539
Recharge	463,586	366,403	336,016	429,531	242,716	303,505	446,139	447,274	410,905
Interstate Water Banking	N/A	66,595	N/A	15,258	120,541	189,127	124,022	-	59,024
Total water delivered	1,321,657	1,525,677	1,551,062	1,597,631	1,276,924	1,504,327	1,700,023	1,548,024	1,610,237
Transfer/Exchange of credits to CAGR D transferred	360	230	66	-	270	-	5,883	-	-
	<u>1,322,017</u>	<u>1,525,907</u>	<u>1,551,128</u>	<u>1,597,631</u>	<u>1,277,194</u>	<u>1,504,327</u>	<u>1,705,906</u>	<u>1,548,024</u>	<u>1,610,237</u>
Capital Charges A/F Allocation	555,440	555,440	555,440	555,440	555,440	555,426	555,412	621,045	621,031

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
OTHER DISTRICT INFORMATION (Unaudited)
PRINCIPAL REVENUE PAYERS (DOLLARS) – ANNUAL TOP TEN – LAST NINE FISCAL YEARS

	2001	2002	2003	2004	2005	2006	2007	2008	2009
Payers									
Active Resource Management	N/A	N/A	N/A	\$3,500,000	N/A	N/A	N/A	N/A	N/A
Ak-Chin Indian Community	\$3,744,596	\$4,440,812	\$4,575,186	5,127,086	\$6,006,150	\$6,509,429	\$7,262,412	\$7,262,202	\$9,037,332
AZ Water Bank	9,394,101	23,885,330	11,505,040	21,684,477	27,952,871	43,138,317	31,872,507	7,328,662	15,555,195
Central Arizona Groundwater Replen.	N/A	N/A	N/A	N/A	N/A	N/A	N/A	4,651,437	N/A
Central Arizona Irrigation & Drainage District	3,967,412	3,868,480	4,399,931	3,456,712	4,477,520	4,658,098	5,661,675	6,029,164	5,566,232
City of Chandler	N/A	N/A	N/A	N/A	N/A	N/A	4,337,195	N/A	N/A
City of Glendale	2,139,847	N/A	2,465,048	N/A	N/A	N/A	N/A	N/A	N/A
City of Mesa	6,710,226	6,929,372	4,142,332	4,048,344	4,685,028	4,381,108	9,111,760	5,057,874	6,603,334
City of Peoria	N/A	N/A	N/A	N/A	2,290,690	N/A	4,916,728	N/A	N/A
City of Phoenix	11,845,424	12,409,008	15,513,788	14,455,308	14,110,344	12,944,221	20,027,333	15,489,250	17,578,305
City of Scottsdale	4,724,068	5,365,783	5,512,967	5,979,757	5,387,807	5,947,058	7,423,223	6,059,947	7,105,252
City of Tucson	7,288,633	7,763,082	8,291,238	8,538,572	8,673,132	8,373,424	14,704,829	14,800,652	13,680,000
Gila River Indian Community (Toka Sticks)	N/A	2,321,632	N/A	3,996,206	N/A	N/A	N/A	4,137,018	N/A
Harquahala Valley Irrigation District	3,621,072	3,418,724	2,364,446	N/A	N/A	3,469,356	N/A	N/A	N/A
Maricopa-Stanfield Irr. & Drainage District	4,662,403	3,789,240	4,893,082	3,889,936	5,566,468	5,608,334	6,431,365	5,869,172	6,119,967
Resolution Copper Mining, LLC	N/A	N/A	N/A	N/A	N/A	2,871,104	N/A	N/A	6,286,640
Town of Gilbert	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	11,971,954
Vidler Water Company	N/A	N/A	N/A	N/A	2,438,482	N/A	N/A	N/A	N/A

Note: Includes revenue from water O&M and capital charges

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
OTHER DISTRICT INFORMATION (Unaudited)
ACRE/FEET OF WATER DELIVERED BY CUSTOMER TYPE – TOP TEN CUSTOMERS – LAST NINE FISCAL YEARS

Customer Type	2001	2002	2003	2004	2005	2006	2007	2008	2009
Municipal & Industrial									
Agua Fria (Citizens)	9,761	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
AZ-American Water Co	N/A	10,861	N/A	N/A	N/A	N/A	N/A	N/A	N/A
AZ-American Water Co (Sun City)	N/A	N/A	11,961	N/A	N/A	N/A	N/A	N/A	N/A
AZ-American Water Co (Apache Jt)	5,163	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
AZ-American Water Co (West Villy)	N/A	N/A	N/A	13,061	14,161	12,218	16,352	14,262	16,862
AZ Water Banking Authority	N/A	66,595	N/A	15,258	120,541	189,127	124,022	N/A	59,024
CAGR D	5,127	7,292	10,999	N/A	14,411	21,169	23,755	31,992	36,811
Chaparral City Water Co	6,003	N/A	N/A	N/A	N/A	N/A	N/A	5,684	N/A
City of Chandler	4,980	7,963	N/A	N/A	N/A	N/A	N/A	N/A	N/A
City of Glendale	18,152	12,671	19,763	16,589	15,391	10,506	N/A	14,236	16,800
City of Mesa	21,853	33,704	30,059	34,041	24,394	21,543	39,650	31,610	36,536
City of Peoria	N/A	N/A	12,407	15,657	17,200	17,811	19,886	20,747	17,548
City of Phoenix	106,781	107,199	138,337	130,638	122,100	125,411	140,857	128,821	113,372
City of Scottsdale	37,641	48,890	49,295	52,208	44,164	57,253	52,565	47,884	53,094
City of Tempe	N/A	N/A	9,800	9,812	N/A	N/A	N/A	N/A	N/A
City of Tucson	19,176	20,433	42,597	56,590	61,596	62,320	90,880	128,265	102,638
Metro Water	N/A	N/A	N/A	N/A	N/A	N/A	N/A	8,858	N/A
Salt River Project	N/A	10,449	138,606	153,566	16,716	23,001	93,274	N/A	N/A
Town of Gilbert	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	42,395

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
OTHER DISTRICT INFORMATION (Unaudited) (CONTINUED)
ACRE/FEET OF WATER DELIVERED BY CUSTOMER TYPE – TOP TEN CUSTOMERS – LAST NINE FISCAL YEARS**

Customer Type	2001	2002	2003	2004	2005	2006	2007	2008	2009
Agricultural									
Arizona State Land Department	N/A	N/A	N/A	N/A	N/A	9,026	9,026	9,026	N/A
BKW Farms	N/A	N/A	N/A	N/A	3,740	N/A	N/A	N/A	1,635
Central AZ Irrigation & Drainage	123,404	132,404	143,201	123,454	114,156	116,070	116,070	134,882	129,162
Cortaro Marana Irrigation District	N/A	N/A	N/A	N/A	5,750	N/A	N/A	N/A	N/A
Gila River Indian Community	N/A	68,150	62,667	N/A	N/A	N/A	N/A	N/A	N/A
Harquahala Valley Irrigation Dist	102,980	96,023	64,333	31,462	44,238	105,132	61,502	34,484	36,626
HoHoKam Irrigation District	20,545	30,149	31,166	39,921	36,915	35,898	45,898	42,259	39,967
Maricopa-Stanfield Irr & Drainage	129,692	129,692	154,117	120,892	111,961	100,156	113,658	126,983	133,155
Maricopa Water District	N/A	N/A	15,715	4,296	N/A	N/A	N/A	N/A	N/A
New Magma Irrigation & Drainage	42,546	46,546	43,775	29,023	31,083	32,025	27,325	30,325	30,325
Queen Creek Water Company	26,094	31,094	27,094	18,112	18,112	18,112	12,000	12,500	12,500
Roosevelt Water Conserv District	3,604	N/A	N/A	7,500	7,845	5,011	5,004	5,000	5,004
Salt River Project	N/A	N/A	N/A	4,081	N/A	3,464	4,136	N/A	N/A
San Carlos Irrigation District	1,173	39,618	3,986	9,676	N/A	N/A	4,826	3,491	4,228
Tonopah Irrigation District	6,436	5,259	5,259	N/A	3,460	3,460	N/A	3,460	3,460
V.F. Investments	2,057	3,954	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
OTHER DISTRICT INFORMATION (Unaudited) (CONTINUED)
ACRE/FEET OF WATER DELIVERED BY CUSTOMER TYPE – TOP TEN CUSTOMERS – LAST NINE FISCAL YEARS**

Customer Type	2001	2002	2003	2004	2005	2006	2007	2008	2009
Recharge									
Active Resource Management	N/A	N/A	27,000	50,000	24,925	N/A	N/A	N/A	20,000
Apache Junction Water Co	N/A	N/A	N/A	N/A	N/A	2,883	N/A	N/A	N/A
AZ Water Banking Authority	110,409	279,294	213,095	270,284	92,732	172,093	260,868	216,990	165,042
Augusta Resource Corporation	N/A	N/A	N/A	N/A	N/A	N/A	15,000	20,000	N/A
Central AZ Groundwater Replen Dis	N/A	N/A	N/A	N/A	7,715	5,465	14,573	20,937	8,457
Central AZ Irrig & Drainage Dist	11,016	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
City of Avondale	N/A	N/A	5,355	9,856	5,000	5,000	5,135	N/A	N/A
City of Chandler	23,888	15,525	13,800	20,000	21,000	15,000	22,025	18,000	14,145
City of Goodyear	17,670	23,121	23,594	23,000	13,324	12,500	7,000	N/A	N/A
City of Mesa	80,000	54,000	7,000	N/A	16,129	16,310	16,087	16,043	16,000
City of Peoria	N/A	3,500	N/A	N/A	5,206	N/A	N/A	N/A	N/A
City of Scottsdale	N/A	N/A	3,071	3,530	N/A	N/A	N/A	N/A	N/A
City of Tempe	10,007	10,025	N/A	7,000	N/A	N/A	N/A	N/A	N/A
City of Tucson	N/A	8,533	N/A	N/A	N/A	N/A	N/A	N/A	N/A
HoHoKam Irrigation District	54,928	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Maricopa-Stanfield Irr & Drainage	47,755	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Metro Domestic Water Improve Dis	N/A	7,104	N/A	N/A	N/A	N/A	N/A	N/A	N/A
New Magma Irrigation & Drainage	44,835	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Resolution Copper Mining, LLC	N/A	N/A	N/A	N/A	N/A	34,807	38,797	50,595	76,034
Rosemont Cooper	N/A	N/A	N/A	3,071	N/A	N/A	N/A	15,000	15,000
Salt River Project	14,935	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Town of Gilbert	N/A	7,500	7,000	17,000	10,000	7,000	11,500	11,500	63,163
Vidler Water Company	N/A	10,945	25,196	30,130	32,411	27,770	26,442	36,277	48,700
Water Utility of Greater Tonopah, In	N/A	N/A	N/A	3,071	N/A	N/A	N/A	19,997	22,917
Water Utilities Com Facilities Dist	N/A	N/A	2,883	N/A	N/A	N/A	N/A	N/A	N/A

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
OTHER DISTRICT INFORMATION (Unaudited) (CONTINUED)
ACRE/FEET OF WATER DELIVERED BY CUSTOMER TYPE – TOP TEN CUSTOMERS – LAST NINE FISCAL YEARS**

Customer Type	2001	2002	2003	2004	2005	2006	2007	2008	2009
Federal									
Ak-Chin Indian Community	64,124	71,626	69,321	69,229	71,705	78,423	83,476	78,812	83,679
Anthem (Ak-Chin)	N/A	3,249	4,300	4,810	3,727	4,530	5,231	5,352	N/A
City of Chandler	7,658	7,652	7,657	7,668	3,395	2,366	N/A	7,622	7,622
City of Glendale	5,355	5,351	5,355	5,362	5,358	5,357	5,346	5,346	5,346
City of Mesa	4,924	4,920	4,923	4,931	4,927	4,925	4,918	4,918	N/A
City of Phoenix	13,232	13,225	13,230	13,243	13,236	13,234	13,209	13,209	28,209
Del-Webb (Ak-Chin)	9,500	6,150	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Gila River Indian Comm	N/A	N/A	N/A	53,986	N/A	N/A	3,793	34,478	31,582
San Carlos Apache Tribe	4,166	7,000	10,285	6,301	6,597	6,830	7,134	N/A	8,628
San Xavier Co-op Farm	820	N/A	1,516	N/A	2,625	2,528	3,264	7,837	6,621
Schuk Toak	N/A	N/A	N/A	N/A	10,739	8,107	12,220	13,639	14,622
Tohono O'Odham Indian Nation	8,337	9,899	11,892	11,141	N/A	N/A	N/A	N/A	23,087
Town of Gilbert	4,592	3,741	9,712	11,686	12,086	12,083	12,049	12,049	12,049
Total									
Active Resource Mgmt	N/A	N/A	N/A	50,000	N/A	N/A	N/A	N/A	#VALUE!
Ak-Chin Indian Community	64,124	71,626	69,321	69,229	71,705	78,423	83,476	78,812	83,679
AZ Water Banking Authority	110,409	345,889	213,095	285,542	213,273	361,220	384,890	216,990	165,042
Central AZ Groundwater Replen Dis	N/A	N/A	N/A	N/A	N/A	N/A	N/A	52,929	N/A
Central AZ Irrigation & Drainage	143,420	132,404	143,201	123,454	114,156	116,070	116,070	134,882	129,162
City of Mesa	106,777	92,624	N/A	N/A	45,450	42,778	60,655	52,571	57,454
City of Phoenix	120,013	120,424	151,567	143,881	135,336	138,645	154,066	142,030	141,581
City of Scottsdale	47,444	52,066	53,054	56,426	47,558	57,253	56,928	47,884	56,917
City of Tucson	N/A	N/A	N/A	56,590	61,596	62,320	90,880	128,265	102,638
Gila River Indian Comm (Toka)	N/A	68,150	62,667	53,986	N/A	N/A	N/A	N/A	N/A
Harquahala Valley Irrigation Dist	102,980	96,023	64,333	N/A	44,238	105,132	61,502	N/A	N/A
HoHoKam Irrigation District	75,473	N/A	N/A	N/A	36,915	35,898	N/A	N/A	N/A
Maricopa-Stanfield Irr & Drainage	177,447	129,692	154,117	120,892	111,961	100,156	113,658	126,983	133,155
New Magma Irrigation & Drainage	87,381	46,546	43,775	N/A	N/A	N/A	N/A	N/A	N/A
Resolution Copper Mining, LLC	N/A	N/A	N/A	N/A	N/A	N/A	N/A	50,595	76,034

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
OTHER DISTRICT INFORMATION (Unaudited) (CONTINUED)
ACRE/FEET OF WATER DELIVERED BY CUSTOMER TYPE – TOP TEN CUSTOMERS – LAST NINE FISCAL YEARS**

Customer Type	2001	2002	2003	2004	2005	2006	2007	2008	2009
Salt River Project	N/A	N/A	138,606	157,647	N/A	N/A	97,410	N/A	N/A
Town of Gilbert	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	117,607
Capital Charges A/F Allocation									
AZ-American Water Co (Aqua Fria)	11,093	11,093	11,093	N/A	N/A	N/A	N/A	N/A	N/A
AZ-American Water Co (West Valle	N/A	N/A	N/A	17,654	17,654	17,654	17,654	17,654	17,654
AZ State Land Dept	32,076	32,076	32,076	32,076	32,076	32,076	32,076	32,076	32,076
ASARCO, Ray Mine	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000
Casa Grande System (AZ Water Cc	8,884	8,884	8,884	8,884	8,884	8,884	8,884	N/A	N/A
City of Glendale	14,183	14,183	14,183	14,183	14,183	14,183	14,183	17,236	17,236
City of Mesa	36,388	36,388	36,388	36,388	36,388	36,388	36,388	43,503	43,503
City of Peoria	19,709	19,709	19,709	19,709	19,709	19,709	19,709	25,236	25,236
City of Phoenix	113,914	113,914	113,914	113,914	113,914	113,914	113,914	122,120	122,120
City of Scottsdale	48,529	49,829	49,829	49,829	49,829	49,829	49,829	52,810	52,810
City of Tucson	138,920	138,920	134,466	135,966	135,966	135,966	135,966	144,172	144,172
Metro Water	N/A	N/A	N/A	N/A	N/A	N/A	N/A	13,460	13,460

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
OTHER DISTRICT INFORMATION (Unaudited)
SCHEDULE OF CUSTOMER ACTIVITY – WATER DELIVERY CHARGES AND SUBCONTRACTOR CAPITAL CHARGES
Year Ended December 31, 2009**

Customer	WATER DELIVERY CHARGES										SUBCONTRACTOR CAPITAL CHARGES		TOTAL PAID
	Municipal & Industrial		Agricultural		Recharge		Federal		Total		Acre-Feet Allocation	Revenue \$ (a)	
	A/F Delivered	Revenue \$	A/F Delivered	Revenue \$	A/F Delivered	Revenue \$	A/F Delivered	Revenue \$	A/F Delivered	Revenue \$			
Ak Chin Farm Indians	-	\$ -	-	\$ -	-	\$ -	83,679	\$ 9,037,332	83,679	\$ 9,037,332	-	\$ -	\$9,037,332
Ancala Country Club	488	61,488	-	-	-	-	-	-	488	61,488	-	-	61,488
Anthem (Ak-Chin) Pump	-	-	-	-	-	-	5,282	570,456	5,282	570,456	-	-	570,456
Apache Junction Water Co.	425	61,272	-	-	-	-	-	-	425	61,272	-	-	61,272
Aqua Capital	-	-	-	-	3,093	255,021	-	-	3,093	255,021	-	-	255,021
Arizona-American (Paradise Valley)	3,231	348,948	-	-	-	-	-	-	3,231	348,948	3,231	58,158	407,106
Arizona-American (West Valley)	16,862	1,821,096	-	-	-	-	-	-	16,862	1,821,096	17,654	317,772	2,138,868
Arizona Dept of Transportation	-	-	-	-	-	-	-	-	-	-	-	-	-
Arizona Pacific Materials, LLC	101	17,019	-	-	-	-	-	-	101	17,019	-	-	17,019
Arizona Public Service	126	21,060	-	-	-	-	-	-	126	21,060	-	-	21,060
Arizona State Land Department	-	-	-	-	-	-	-	-	-	-	-	-	-
Arizona State Land Department (ADOT)	172	22,734	-	-	-	-	-	-	172	22,734	32,076	577,368	600,102
Arizona Water Banking Authority	59,024	8,505,676	-	-	106,018	7,049,519	-	-	165,042	15,555,195	-	-	15,555,195
Arizona Water Company (AJ)	5,535	616,176	-	-	-	-	-	-	5,535	616,176	6,000	108,000	724,176
Arizona Water Company (CG)	1,790	254,178	-	-	-	-	-	-	1,790	254,178	8,884	159,912	414,090
Arizona Water Company (Coolidge)	-	-	-	-	-	-	-	-	-	-	2,000	36,000	36,000
Arizona Water Co (White Tanks)	-	-	-	-	-	-	-	-	-	-	968	17,424	17,424
Arizona Wholesale Growers	167	21,042	-	-	-	-	-	-	167	21,042	-	-	21,042
ASARCO, Ray Mine	-	-	-	-	-	-	-	-	-	-	21,000	378,000	378,000
ASU Karsten Golf	360	45,360	-	-	-	-	-	-	360	45,360	-	-	45,360
Active Resource Corporation	-	-	-	-	20,000	1,640,000	-	-	20,000	1,640,000	-	-	1,640,000
Avondale, City of	5,416	584,928	-	-	5,132	420,824	-	-	10,548	1,005,752	5,416	97,488	1,103,240
AVRA Water Cooperative	-	-	-	-	-	-	-	-	-	-	808	14,544	14,544
Berneil Water Company	-	-	-	-	-	-	-	-	-	-	-	-	-
BKW Farms	-	-	1,635	63,765	-	-	-	-	1,635	63,765	-	-	63,765
Buckeye, Town of	-	-	-	-	-	-	-	-	-	-	378	6,804	6,804
Carefree Water Co.	541	61,200	-	-	-	-	-	-	541	61,200	1,300	23,400	84,600
Cave Creek, Town of	-	-	-	-	-	-	-	-	-	-	-	-	-
Cave Creek Water Co.	1,937	223,560	-	-	-	-	-	-	1,937	223,560	2,606	46,908	270,468
Central AZ Groundwater Replen. Dist.	36,811	4,504,302	-	-	8,701	713,482	-	-	45,512	5,217,784	7,746	139,428	5,357,212
Central AZ Irrigation & Drainage Dist	-	147,238	129,162	4,778,994	-	640,000	-	-	129,162	5,566,232	-	-	5,566,232
Central Arizona Project (Mohave)	-	-	-	-	-	-	-	-	-	-	-	-	-
Chandler Heights Citrus	-	-	516	23,376	-	-	-	-	516	23,376	315	5,670	29,046
Chandler, City of	3,664	395,712	-	-	14,145	1,159,890	7,622	823,176	25,431	2,378,778	8,654	155,772	2,534,550
Chaparral, City of	-	-	-	-	-	-	-	-	-	-	-	-	-
Chaparral City Water	6,586	745,497	-	-	-	-	-	-	6,586	745,497	8,909	160,362	905,859
Circle City Water Company	-	-	-	-	-	-	-	-	-	-	3,932	70,776	70,776

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
OTHER DISTRICT INFORMATION (Unaudited)
SCHEDULE OF CUSTOMER ACTIVITY – WATER DELIVERY CHARGES AND SUBCONTRACTOR CAPITAL CHARGES
Year Ended December 31, 2009**

Customer	WATER DELIVERY CHARGES								SUBCONTRACTOR CAPITAL CHARGES		TOTAL PAID
	Municipal & Industrial		Agricultural		Recharge		Federal		Total		
	A/F Delivered	Revenue \$	A/F Delivered	Revenue \$	A/F Delivered	Revenue \$	A/F Delivered	Revenue \$	A/F Delivered	Revenue \$	
Coolidge Power Corp	-	-	-	-	-	-	-	-	-	-	-
Community Water Co. of Green Valley	-	-	-	-	-	-	-	-	2,858	51,444	51,444
Communities SW/TDRP	-	-	-	-	-	-	-	-	-	-	-
Cortaro-Marana Irrigation District	-	-	-	-	-	-	-	-	-	-	-
Del Webb (Ak-Chin) MWD	-	-	-	-	-	-	357	38,556	357	38,556	38,556
DMB White Tank	-	-	-	-	-	-	-	-	-	-	-
El Mirage Town of	2,508	306,864	-	-	2,000	164,000	-	-	4,508	470,864	480,008
Eloy, City of	2,101	231,255	-	-	-	-	-	-	2,101	231,255	270,333
Festival (Ak-Chin) MWD	-	-	-	-	-	-	681	73,548	681	73,548	73,548
Florence, Town of	2,048	221,184	-	-	-	-	-	-	2,048	221,184	258,048
Flowing Wells Irrigation District	1,400	151,200	-	-	-	-	-	-	1,400	151,200	229,572
Gila River Indian Community	-	-	-	-	-	-	1,000	108,000	1,000	108,000	108,000
Gila River Indian Irrigation District	-	-	-	-	-	705,760	30,582	3,302,856	30,582	4,008,616	4,008,616
Gilbert, Town of	42,395	5,361,066	-	-	63,163	5,179,366	12,049	1,301,292	117,607	11,841,724	11,971,954
Glendale, City of	16,800	1,814,400	-	-	-	-	5,346	577,368	22,146	2,391,768	2,702,016
Goodyear, City of	-	-	-	-	-	-	-	-	-	10,742	191,897
Green Valley Water Co	525	56,700	-	-	-	-	-	-	525	56,700	90,900
H2O Water Company	261	30,321	-	-	-	-	-	-	261	30,321	32,967
Harquahala Valley Farms	-	9,018	501	54,108	-	-	-	-	501	63,126	63,126
Harquahala Valley Irrigation District	-	-	36,626	1,428,414	-	-	-	-	36,626	1,428,414	1,428,414
HoHokam Irrigation & Drainage Dist.	-	-	39,967	1,518,746	-	-	-	-	39,967	1,518,746	1,518,746
Hopi	-	-	-	-	2,000	194,000	-	-	2,000	194,000	194,000
Kai Farms	-	-	1,000	39,000	-	60,576	-	-	1,000	99,576	99,576
LaFarge North America	33	13,149	-	-	-	-	-	-	33	13,149	13,149
Marana, Town of	1,528	102,822	-	-	-	-	-	-	1,528	102,822	103,668
Maricopa County Parks & Recreation	777	91,926	-	-	-	-	-	-	777	91,926	103,896
Maricopa Drilling & Equipment Co.	4	990	-	-	-	-	-	-	4	990	990
Maricopa-Stanfield IDD	-	544,206	133,155	4,935,761	-	640,000	-	-	133,155	6,119,967	6,119,967
Mazatzal Tree Farm	17	2,223	-	-	-	-	-	-	17	2,223	2,223
Mesa, City of	36,536	3,977,136	-	-	16,000	1,312,000	4,918	531,144	57,454	5,820,280	6,603,334
Mesa Family Golf	40	5,040	-	-	-	-	-	-	40	5,040	5,040
Metro Water	8,858	956,664	-	-	1,500	123,000	-	-	10,358	1,079,664	1,321,944
New Harquahala Generating Company	1,130	152,910	-	-	-	-	-	-	1,130	152,910	152,910
New Magma Irrigation & Drain. Dist.	-	-	30,325	1,182,675	-	-	-	-	30,325	1,182,675	1,182,675
Oasis Golf Resort & Community, LLC	608	76,608	-	-	-	-	-	-	608	76,608	76,608
Oro Valley, Town of	2,500	270,000	-	-	1,500	123,000	-	-	4,000	393,000	578,490
Peoria, City of	17,548	1,959,858	-	-	-	-	-	-	17,548	1,959,858	2,414,106
Phelps Dodge, Inc.	-	-	-	-	-	-	-	-	2,906	52,308	52,308

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
OTHER DISTRICT INFORMATION (Unaudited)
SCHEDULE OF CUSTOMER ACTIVITY – WATER DELIVERY CHARGES AND SUBCONTRACTOR CAPITAL CHARGES
Year Ended December 31, 2009**

Customer	WATER DELIVERY CHARGES										SUBCONTRACTOR CAPITAL CHARGES		TOTAL PAID
	Municipal & Industrial		Agricultural		Recharge		Federal		Total		Acre-Feet Allocation	Revenue \$ (a)	
	A/F Delivered	Revenue \$	A/F Delivered	Revenue \$	A/F Delivered	Revenue \$	A/F Delivered	Revenue \$	A/F Delivered	Revenue \$			
Phoenix, City of	113,372	12,333,573	-	-	-	-	28,209	3,046,572	141,581	15,380,145	122,120	2,198,160	17,578,305
Phoenix Memorial Park Cemetery	-	-	-	-	-	-	-	-	-	-	84	1,512	1,512
Picacho Elementary School	12	1,755	-	-	-	-	-	-	12	1,755	-	-	1,755
Pinal County Water Augmentation Auth	-	-	-	-	-	-	-	-	-	-	-	-	-
Pinal County Dept of Public Works	19	4,743	-	-	-	-	-	-	19	4,743	-	-	4,743
Pine Water Company	-	-	-	-	-	-	-	-	-	-	161	2,898	2,898
Pulte Homes -- Del Webb Corp	-	-	-	-	-	-	-	-	-	-	-	-	-
Queen Creek Irrigation District	-	-	12,000	468,000	-	115,904	-	-	12,000	583,904	-	-	583,904
Queen Creek Water Company	348	37,584	-	-	-	-	-	-	348	37,584	348	6,264	43,848
Recreational Center, Inc.	-	-	-	-	-	-	-	-	-	-	-	-	-
Red Mountain Ranch Country Club	690	86,940	-	-	-	-	-	-	690	86,940	-	-	86,940
Red Mountain Ranch Owners Assoc.	18	2,268	-	-	-	-	-	-	18	2,268	-	-	2,268
Resolution Copper Mining, LLC	-	-	-	-	76,034	6,286,640	-	-	76,034	6,286,640	-	-	6,286,640
Rio Verde Utilities, Inc.	257	27,756	-	-	-	-	-	-	257	27,756	812	14,616	42,372
Roosevelt Water Conservation Dist.	-	72	5,004	195,432	-	-	-	-	5,004	195,504	-	-	195,504
Rosemont Copper	-	-	-	-	15,000	1,365,000	-	-	15,000	1,365,000	-	-	1,365,000
Royal Dunes Golf Club	-	-	-	-	-	-	-	-	-	-	-	-	-
Salt River Project	-	-	-	-	-	-	-	-	-	-	-	-	-
San Carlos Apache	-	-	-	-	-	-	8,628	931,824	8,628	931,824	-	-	931,824
San Carlos Irrigation & Drainage Dist	-	-	4,228	207,660	-	-	-	-	4,228	207,660	-	-	207,660
San Tan Irrigation District	-	-	-	-	-	-	-	-	-	-	236	4,248	4,248
San Xavier Co-op Farm	-	-	-	-	-	-	6,621	715,068	6,621	715,068	-	-	715,068
Santa Cruz Water Co	-	-	-	-	-	-	-	-	-	-	-	-	-
Schuk Toak	-	-	-	-	-	-	14,622	1,579,176	14,622	1,579,176	-	-	1,579,176
Scottsdale, City of	53,094	5,807,106	-	-	3,145	269,230	678	73,224	56,917	6,149,560	52,810	955,692	7,105,252
Shea Homes - Avalea	-	-	-	-	-	-	-	-	-	-	-	-	-
Shea Homes - Encanterra	82	11,223	-	-	-	-	-	-	82	11,223	-	-	11,223
Shea Sunbelt Pleasant Point, LLC	-	7,290	-	-	-	-	-	-	-	7,290	-	-	7,290
Sonoran Land Group	542	68,535	-	-	-	-	-	-	542	68,535	-	-	68,535
Southern Dunes Golf Club	647	93,915	-	-	-	-	-	-	647	93,915	-	-	93,915
Spanish Trail Water Company	-	-	-	-	-	-	-	-	-	-	3,037	54,666	54,666
Stone Creek Farm	-	-	-	-	-	-	-	-	-	-	-	-	-
Sun State Rock & Materials Corp.	-	-	-	-	-	-	-	-	-	-	-	-	-
Superior Town of	-	-	-	-	-	-	-	-	-	-	285	5,130	5,130
Surprise, City of	10,249	1,106,892	-	-	-	-	-	-	10,249	1,106,892	10,249	184,482	1,291,374
Table Top Nursery	-	-	-	-	-	-	-	-	-	-	-	-	-
Tempe, City of	3,431	395,370	-	-	-	-	178	19,224	3,609	414,594	4,315	77,670	492,264
Temporary Water Permits	1,432	217,808	-	-	-	-	-	-	1,432	217,808	-	-	217,808
Tierra DR (Ak Chin) Pump	-	-	-	-	-	-	-	-	-	-	-	-	-

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
OTHER DISTRICT INFORMATION (Unaudited)
SCHEDULE OF CUSTOMER ACTIVITY – WATER DELIVERY CHARGES AND SUBCONTRACTOR CAPITAL CHARGES
Year Ended December 31, 2009**

Customer	WATER DELIVERY CHARGES										SUBCONTRACTOR CAPITAL CHARGES		TOTAL PAID
	Municipal & Industrial		Agricultural		Recharge		Federal		Total		Acre-Feet Allocation	Revenue \$ (a)	
	A/F Delivered	Revenue \$	A/F Delivered	Revenue \$	A/F Delivered	Revenue \$	A/F Delivered	Revenue \$	A/F Delivered	Revenue \$			
Tohono O'odhan	-	-	-	-	-	135,000	23,087	2,533,086	23,087	2,668,086	-	-	2,668,086
Tonopah Irrigation District	-	-	3,460	134,940	-	-	-	-	3,460	134,940	-	-	134,940
Tonto Hills Utility Company	32	3,582	-	-	-	-	-	-	32	3,582	71	1,278	4,860
Tonto National Forest	50	6,300	-	-	-	-	-	-	50	6,300	-	-	6,300
Tucson, City of	102,638	11,084,904	-	-	-	-	-	-	102,638	11,084,904	144,172	2,595,096	13,680,000
V. F. Investments	-	2,160	115	12,735	-	-	-	-	115	14,895	-	-	14,895
Vail Water Company	-	-	-	-	1,857	152,274	-	-	1,857	152,274	1,857	33,426	185,700
Valley Utilities Water Company	-	-	-	-	-	-	-	-	-	-	250	4,500	4,500
Vidler Water Company	-	-	-	-	48,700	3,993,400	-	-	48,700	3,993,400	-	-	3,993,400
Viewpoint RV & Golf Resort	333	59,535	-	-	-	-	-	-	333	59,535	-	-	59,535
Water Utilities Comm Facilities Dist	-	-	-	-	-	-	-	-	-	-	2,919	52,542	52,542
Water Utility of Greater Buckeye, Inc.	-	-	-	-	-	-	-	-	-	-	43	774	774
Water Utility of Greater Tonopah, Inc.	-	-	-	-	22,917	1,879,194	-	-	22,917	1,879,194	64	1,152	1,880,346
Subtotal	568,099	66,153,337	397,694	15,043,606	410,905	34,577,080	233,539	25,261,902	1,610,237	141,035,925	621,031	11,182,211	152,218,136
Water Storage Tax - AWBA						(7,084,545)				(7,084,545)			(7,084,545)
Deferred Revenue adj-Prior Year Credit		(4)				(750)		(30,472)		(31,226)			(31,226)
CAGR D alloc purchase (New River et al)										-			-
CAGR D elimination										(4,275,067)		(662,598)	(4,937,665)
Transfer of Stored Water Credits					11,897	975,554			11,897	975,554			975,554
TOTAL	568,099	\$ 66,153,333	397,694	\$ 15,043,606	422,802	\$ 28,467,339	233,539	\$ 25,231,430	1,622,134	\$ 130,620,641	621,031	\$ 10,519,613	\$141,140,254

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
 OTHER DISTRICT INFORMATION (Unaudited)
 SCHEDULE OF AD VALOREM PROPERTY TAX –
 FULL CASH VALUE AND ASSESSED VALUE – LAST TEN TAX YEARS**

Tax Year	Full Cash Value	Assessed Value
2000	\$ 202,047,209,445	\$ 25,784,794,867
2001	224,701,894,776	28,142,398,130
2002	242,193,366,728	30,156,473,662
2003	278,886,203,246	33,876,622,814
2004	303,542,048,300	36,815,405,953
2005	336,753,118,147	40,525,437,546
2006	374,884,758,920	44,711,654,147
2007	523,855,376,230	60,089,796,995
2008	632,375,833,329	71,355,056,573
2009	632,321,619,316	71,087,269,662

Source: Maricopa, Pinal and Pima County Assessor's Office.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
OTHER DISTRICT INFORMATION (Unaudited)
SCHEDULE OF AD VALOREM PROPERTY TAX – TAX LEVY AND COLLECTIONS – LAST NINE FISCAL YEARS**

Fiscal Year	Tax Levy	Collected to June 30 End of Tax Fiscal Year (a)		Collections in Subsequent years	Total Collections (b)	
		Amount	Percent of Tax Levy		Amount	Percent of Tax Levy
2001-2002	\$ 36,265,814	\$ 35,674,224	98.37%	\$ 214,772	\$ 35,888,996	98.96%
2002-2003	38,880,487	38,233,431	98.34%	213,072	38,446,503	98.88%
2003-2004	40,163,345	39,591,810	98.58%	197,658	39,789,468	99.07%
2004-2005	43,867,140	43,211,685	98.51%	203,480	43,415,165	98.97%
2005-2006	48,256,483	47,532,603	98.50%	218,665	47,751,268	98.95%
2006-2007	53,410,823	52,620,494	98.52%	260,406	52,880,900	99.01%
2007-2008	59,933,413	57,705,981	96.28%	1,114,787	58,820,768	98.14%
2008-2009	70,967,792	67,818,145	95.56%	1,481,988	69,300,134	97.65%
2009-2010	70,980,234	(c)	(c)	(c)	(c)	(c)

(a) Reflects collections made through June 30, the end of the taxing fiscal year, on such year's levy.

(b) Reflects collections made through December 31, 2009 against current and prior levies.

(c) In the process of collection.

Source: Maricopa, Pima and Pinal County Treasurers' Office

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
OTHER DISTRICT INFORMATION (Unaudited)
REVENUE BONDS AND PLEDGED REVENUE – LAST NINE FISCAL YEARS**

Description	2001	2002	2003	2004	2005	2006	2007	2008	2009
Principal Debt	\$ 18,050,000	\$ 18,915,000	\$ 20,235,000	\$ 21,375,000	\$ 22,085,000	\$ 22,850,000	\$ 38,235,000	\$ 13,340,000	\$ 14,075,000
Interest Debt	9,324,801	7,518,595	6,653,607	5,784,458	5,072,011	4,309,722	3,415,376	2,267,936	1,534,226
SRP	25,200,000	25,200,000	25,200,000	25,200,000	25,200,000	25,200,000	24,300,000	14,400,000	6,000,000
Debt Service Coverage Ratio	0.920554637	0.953332303	0.937199908	0.927853568	0.927937172	0.927844549	0.583428106	0.922607576	0.384388054
Total Debt on Revenue Bonds	171,246,000	155,045,000	137,482,000	118,604,000	98,662,000	77,780,000	41,079,000	27,785,000	13,820,000

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
OTHER DISTRICT INFORMATION (Unaudited)
FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION/PROGRAM – LAST TEN FISCAL YEARS**

Function/Program	Full Time Equivalent Positions (Average)									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Manager	5.7	5.6	6.0	6.0	6.2	5.5	5.0	5.0	4.8	5.8
Legal	6.0	6.1	6.5	6.6	6.6	6.6	6.3	6.6	6.4	6.8
Business Planning	-	-	-	-	-	-	-	-	-	1.1
Communications, Public Affairs, and Governmental Relations	5.7	6.0	6.3	6.5	6.7	6.8	7.2	7.0	6.8	7.5
Operations, Planning, and Engineering	85.6	89.4	92.1	89.3	86.3	89.1	94.7	96.8	96.3	100.9
Employee Services	35.1	36.0	37.1	38.4	37.6	37.7	37.3	37.0	36.2	37.5
Finance and Information Technologies	50.8	52.1	56.0	55.8	57.6	59.3	70.2	70.8	73.0	72.4
Maintenance	248.6	251.0	253.8	250.7	252.3	248.9	229.8	226.4	230.8	233.0
Total	437.5	446.2	457.8	453.3	453.3	453.9	450.5	449.6	454.3	465.0

Source: District-Financial Services Department

Average calendar year full-time equivalent (FTE) positions are based on actual CAWCD positions filled at the end of each calendar month and then averaged for the calendar year.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT
OTHER DISTRICT INFORMATION (Unaudited)
CAPITAL ASSET STATISTICS – LAST TEN FISCAL YEARS
(Dollars in Millions)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Capital Asset (net of depreciation and amortization)										
Land	0.2	0.5	0.8	0.8	0.8	0.8	0.8	0.8	1.1	1.1
Land Improvements										0.1
Structures & improvements	1.4	1.3	3.0	3.0	5.4	14.8	14.2	18.4	44.2	48.8
Computers	–	8.1	6.7	5.7	3.9	3.6	2.5	2.8	2.8	0.9
Furniture/office equipment	1.2	0.1	0.2	0.1	0.2	0.3	0.3	0.2	0.3	0.2
Transportation	2.2	2.1	1.8	1.7	1.7	1.8	1.9	2.3	2.3	2.3
Field & other equipment	6.6	6.6	7.4	12.5	10.2	11.1	13.7	21.3	24.1	23.1
Communications	1.2	0.9	1.9	1.7	2.3	6.1	4.6	3.0	1.7	5.3
Construction in progress	10.3	12.4	17.0	22.6	35.7	29.9	39.7	38.3	19.7	23.7
Intangibles	-	-	-	-	-	-	-	-	-	31.1
Total capital assets	\$ 23.1	\$ 32.0	\$ 38.8	\$ 48.1	\$ 60.2	\$ 68.4	\$ 77.7	\$ 87.1	\$ 96.2	\$ 136.6

OTHER DISTRICT INFORMATION (UNAUDITED)

Management

The District is governed by a fifteen-member Board of Directors elected for staggered six-year terms by voters in each of its three member counties (Maricopa, Pima, and Pinal). The number of directors from each county is based on population. Currently, ten members are elected from Maricopa County, four from Pima County and one from Pinal County. The General Manger supervises the District's current staff of approximately 471 full-time employees. The current members of the District's Executive Staff are as follows:

General Manager through 1/18/09	David S. ("Sid") Wilson, Jr.
General Manager as of 1/19/09	David Modeer
Deputy General Manager-Operations, Planning and Engineering	Larry R. Dozier
Assistant General Manager-Operations, Planning and Engineering	Thomas W. McCann
Assistant General Manager-Maintenance	John D. Newman
Assistant General Manager-Employee Services	Thomas M. Delgado
Assistant General Manager-Business Planning	Marie S. Pearthree
General Counsel	Douglas K. Miller
Assistant General Manager-Finance and Information Technologies	Theodore C. Cooke
Director-Communications, Public Affairs and Governmental Relations	Kathryn B. Schmitt
Management Liaison to the Board of Directors	Donna J. Micetic

Water Deliveries

(Acre-Feet)

	2007 Actuals	2008 Actuals	2009 Projected	2010 Budget	2011 Budget
Municipal & Industrial Water					
Subcontract	442,998	457,471	435,995	436,668	474,296
Non-subcontract	29,166	40,165	74,639	40,111	49,360
Supplemental excess	-	-	-	-	-
SRP	93,274	3,000	667	20,000	20,000
Miscellaneous	-	-	-	-	-
Temporary water use permits	2,060	2,128	1,918	1,068	2,310
Subtotal	567,498	502,764	513,219	497,847	545,966
Agricultural Water					
Settlement pool	396,689	396,500	400,000	400,000	400,000
Excess	2,422	124	-	-	-
Supplemental excess	-	-	-	-	-
Subcontract	9,026	9,026	9,026	-	-
Subtotal	408,137	405,650	409,026	400,000	400,000
Federal Water					
On-reservation	98,960	100,288	102,854	104,424	103,874
Off-reservation	55,267	92,048	129,957	141,143	125,889
Subtotal	154,227	192,336	232,811	245,567	229,763
Interstate Water Banking					
	124,022	-	25,000	-	-
Underground Storage Water					
Direct incentive	74,334	99,132	146,409	108,150	99,669
Direct AWBA	163,144	76,026	28,649	79,877	75,827
Indirect incentive	110,937	131,152	160,057	140,831	140,831
Indirect AWBA	97,724	140,964	84,523	67,123	67,123
Subtotal	446,139	447,274	419,638	395,981	383,450
Total water deliveries	1,700,023	1,548,024	1,599,694	1,539,395	1,559,179
Less CAP stored water				(5,883)	(4,000)
Credit transfer to CAGR		8,465	9,394	118	243
Credit exchange	5,883	1,000	3,000		
Total water deliveries	1,705,906	1,557,489	1,612,088	1,533,630	1,555,422

Water Revenue

General Fund

(In Thousands)

	2007 Actuals	2008 Actuals	2009 Projected	2010 Budget	2011 Budget
Water O&M Charges					
Municipal & Industrial Water					
Subcontract	\$ 38,706.6	\$ 42,135.4	\$ 47,087.5	\$ 51,526.8	\$ 60,235.6
Non-subcontract	2,668.3	3,759.5	8,061.0	4,733.1	6,268.7
Supplemental excess	-	-	-	-	-
SRP	932.7	30.0	8.0	960.0	2,540.0
Miscellaneous	-	-	-	-	-
Temporary water use permits	265.9	321.7	328.0	137.8	298.0
Subtotal	42,573.5	46,246.5	55,484.5	57,357.7	69,342.4
Agricultural Water					
Settlement Pool	13,883.4	14,223.0	15,020.9	16,041.9	16,719.2
Excess	216.8	63.5	-	-	-
Supplemental excess	-	-	-	-	-
Subcontract	785.3	821.4	974.8	-	-
Subtotal	14,885.5	15,107.9	15,995.7	16,041.9	16,719.2
Federal Water	13,577.2	17,745.5	25,143.6	28,976.9	29,179.9
Interstate Water Banking	19,009.6	-	4,700.0	-	-
Underground Storage Water					
Direct incentive	4,539.9	5,070.6	12,005.5	14,384.0	12,658.0
Direct AWBA	9,951.8	3,877.3	2,349.2	10,623.6	9,630.0
Indirect incentive	6,789.2	6,727.8	13,124.7	18,730.5	17,885.5
Indirect AWBA	5,961.2	7,189.2	6,930.9	8,927.4	8,524.6
Water storage tax - AWBA	(5,761.2)	(764.9)	(7,430.6)	(15,622.6)	(15,387.7)
Subtotal	21,480.9	22,100.0	26,979.7	37,042.9	33,310.4
Total water deliveries	111,526.7	101,199.9	128,303.5	139,419.4	148,551.9
Adjustment	-	-	-	(782.4)	(508.0)
Credit exchange	-	51.0	246.0	-	-
Transfer of credits to CAGR	405.8	431.7	770.3	15.7	33.8
Total water O&M charges	\$ 111,932.6	\$ 101,682.7	\$ 129,319.8	\$ 138,652.7	\$ 148,077.7
Capital Charges					
M&I subcontractors	\$ 12,078.0	\$ 13,182.7	\$ 11,178.6	\$ 9,315.5	\$ 7,452.4
M&I non-subcontractors	3,017.3	906.4	1,793.5	601.5	831.6
Agriculture subcontractors	18.1	18.1	18.1	-	-
AWSA/Recharge capital charges	31,543.4	-	-	-	4,553.4
Underground storage facilities	269.8	379.5	301.4	166.4	166.4
Total capital charges	\$ 46,926.6	\$ 14,486.6	\$ 13,291.6	\$ 10,083.4	\$ 13,003.8

Note: Minor differences due to rounding.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT RATE SCHEDULE

DELIVERY RATES FOR VARIOUS CLASSES OF WATER SERVICE

Units = \$/ acre-foot

(The Letter Designations in the Formulas Refer to the Rate Components Shown Below)

	2008	Firm	Firm	Advisory	
		2009	2010	2011	2012
<u>Municipal and Industrial</u>					
Long Term Subcontract (C+D) ¹	\$ 91	\$ 108	\$ 118	\$ 127	\$ 136
Excess Water (A+C+D)	112	126	133	139	136
Incentive Recharge ²	51	82	133	N/A	N/A
AWBA Interstate Recharge (A+C+F+G) ³	219	233	231	165	165
Federal (C+D)	\$ 91	\$ 108	\$ 118	\$ 127	\$ 136
<u>Agricultural</u>					
Settlement Pool (D) ⁴	\$ 36	\$ 45	\$ 49	\$ 50	\$ 53
Long Term Subcontract (B+C+D) ⁵	93	110	120	129	136
Miscellaneous ⁶	\$ 46	\$ 82	\$ 133	N/A	N/A

RATE COMPONENTS

Units = \$/acre-foot

	2008	Firm	Firm	Advisory	
		2009	2010	2011	2012
<u>Capital Charges</u>					
(A) Municipal and Industrial - Long Term Subcontract ⁷	\$ 21	\$ 18	\$ 15	\$ 12	\$ -
(B) Agricultural - Long Term Subcontract ⁶	2	2	2	2	-
<u>Delivery Charges</u>					
(C) Fixed OM&R ⁸	\$ 55	\$ 63	\$ 69	\$ 77	\$ 83
(D) Pumping Energy Rate 1 ⁹	36	45	49	50	53
(E) Pumping Energy Rate 2 ¹⁰	41	70	85	N/A	N/A
(F) Pumping Energy Rate 3 ¹¹	115	125	122	N/A	N/A
(G) Property Tax Equivalency ¹²	28	27	25	26	29
(H) Lost Federal Revenues ¹³	5	N/A	N/A	N/A	N/A

Qualifications for Various Classes of Water Service

Long-Term Municipal and Industrial (M&I) Subcontract: M&I subcontractors.

Excess: M&I users who are not subcontractors and the CAGR; rate is for "as available" water.

Incentive Recharge (AWBA/CAGR and M&I Incentive Underground Water Storage): The Arizona Water Banking Authority (available for scheduling after all other schedules have been filled) and M&I subcontractors and other Arizona entities who have valid Arizona Department of Water Resources permits and accrue long-term recharge/storage credits from this activity.

DIRECT UNDERGROUND WATER STORAGE

Units = \$/acre-foot

	2008	Firm	Firm	Advisory	
		2009	2010	2011	2012
<u>Underground Water Storage O&M</u> ¹⁴					
Phoenix AMA	\$ 8	\$ 8	\$ 8	\$ 9	\$ 10
Tucson AMA	15	15	15	15	16
<u>Underground Water Storage Capital Charge</u> ¹⁵					
Phoenix AMA	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15
Tucson AMA	9	9	9	9	9

CENTRAL ARIZONA GROUNDWATER REPLENISHMENT DISTRICT ASSESSMENT RATES

Units = \$/acre-foot

	Historic	Firm	Firm	Advisory	
	2007/08	2008/09	2009/10	2010/11	2011/12
<u>Phoenix Active Management Area</u>					
Water & Replenishment Component ¹⁶	\$ 112	\$ 134	\$ 143	\$ 154	\$ 157
Administrative Component ¹⁷	28	33	33	31	29
Infrastructure & Water Rights Component ¹⁸	79	90	101	112	115
Replenishment Reserve Charge ¹⁹	21	33	41	49	57
Total Assessment Rate (\$/AF)	\$ 240	\$ 290	\$ 318	\$ 346	\$ 358
<u>Pinal Active Management Area</u>					
Water & Replenishment Component ¹⁶	\$ 87	\$ 100	\$ 107	\$ 117	\$ 117
Administrative Component ¹⁷	28	33	33	31	29
Infrastructure & Water Rights Component ¹⁸	79	90	101	112	115
Replenishment Reserve Charge ¹⁹	25	31	38	45	51
Total Assessment Rate (\$/AF)	\$ 219	\$ 254	\$ 279	\$ 305	\$ 312
<u>Tucson Active Management Area</u>					
Water & Replenishment Component ¹⁶	\$ 133	\$ 143	\$ 153	\$ 164	\$ 161
Administrative Component ¹⁷	28	33	33	31	29
Infrastructure & Water Rights Component ¹⁸	79	90	101	112	115
Replenishment Reserve Charge ¹⁹	25	39	46	54	61
Total Assessment Rate (\$/AF)	\$ 265	\$ 305	\$ 333	\$ 361	\$ 366
<u>Contract Replenishment Tax - Scottsdale</u> ²⁰					
Cost of Water	\$ 108	\$ 112	\$ 126	\$ 133	\$ 139
Cost of Transportation	0	0	0	0	0
Cost of Replenishment	0	0	0	0	0
Administrative Component ¹⁷	28	33	33	31	29
Total Tax Rate (\$/AF)	\$ 136	\$ 145	\$ 159	\$ 164	\$ 168

ENROLLMENT & ACTIVATION FEES

Units = \$/Housing Unit

Enrollment Fee ²¹	\$ 23	\$ 74	\$ 83	\$ 92	\$ 94
Activation Fee ²¹	63	72	81	90	92

NOTES:

- 1 Does not include the Capital Charge.
- 2 Rate transitions to M&I rate in 2010 and is included in "Excess Water" beginning in 2011. This rate applies to all incentive recharge customers. Rules regarding the eligibility for and use of M&I Incentive Underground Water Storage are shown on page 1.
- 3 Rate is the Fixed OM&R component plus the Pumping Energy Rate 3 component plus the M&I Capital Charge plus an equivalency tax component. Starting in 2011, Pumping Energy Rate 1 replaces Pumping Energy Rate 3 as a rate component.
- 4 Rate is the Pumping Energy Rate 1 component. Incentives may be earned for meeting delivery goals in three areas. Any incentives earned can be applied to Settlement Pool deliveries.
- 5 Ag capital charge is invoiced separately from the delivery charge, but is based on deliveries.
- 6 Starting in 2009, the Miscellaneous Rate is the same as the Recharge Rate.
- 7 Capital charge is paid on full allocation regardless of amount delivered; not included in delivery rates.
- 8 Fixed OM&R costs divided by projected total water volumes plus a component to fund capital replacements. This amount is collected on all ordered water whether delivered or not.
- 9 Applies to all water deliveries except AWBA and M&I/CAGRDR Incentive Underground Water Storage, AWBA Interstate and SRP bring-your-own power acre-feet. Net pumping energy costs divided by projected deliveries. This amount is collected only for water actually delivered.
- 10 Applies to AWBA and M&I/CAGRDR Incentive Underground Water Storage, and SRP bring-your-own power acre feet. Rate is the average of the prior 3 years actual or forecasted rate. Starting in 2009, a \$5/AF Energy Rate 2 catch-up component is included. The SRP rate is the incentive recharge rate less Energy Rate 2.
- 11 Rate is based upon the estimated cost of purchasing CAP's highest cost energy (above threshold energy until 2011).
- 12 The rate is based upon the tax levy for the previous elapsed tax year divided by the average water deliveries (excluding Federal deliveries and water storage credits) for the three previous completed delivery years (e.g., for 2009 Rate, the tax equivalency is the levy for the 2007-2008 tax year divided by the average water deliveries for 2005, 2006 and 2007). The Advisory Rates are estimates.
- 13 A component to compensate for loss of revenues from Federal deliveries resulting from adding AWBA and M&I/CAGRDR incentive and SRP bring-your-own power deliveries (derived by formula). This component is eliminated starting with the 2009 rates.
- 14 Underground Water Storage O&M is paid by all direct recharge customers using CAP recharge sites.
- 15 Underground Water Storage capital charge is paid by all direct recharge customers except AWBA for M&I firming, the CAGRDR, municipal providers within the CAP service area and co-owners of CAWCD recharge facilities using no more than their share of capacity.
- 16 The Water & Replenishment Component includes the projected cost to purchase and recharge water and effluent. For rate development purposes, it was assumed that the replenishment of effluent would have the same cost as Excess CAP water recharged at a CAP state demonstration recharge project. The total volume to be purchased and replenished includes the replenishment obligation plus a sufficient volume to offset losses incurred during the replenishment process (generally 1% to 2.5%). For the Phoenix Active Management Area (AMA), replenishment will be accomplished at direct underground storage facilities (USFs) and groundwater savings facilities (GSFs). For the Pinal AMA, replenishment will be accomplished at GSFs. For the Tucson AMA, replenishment will be accomplished at USFs.
- 17 The Administrative Component is designed to cover all CAGRDR administrative costs. \$2/AF has been added to this component to help fund the CAGRDR conservation program.
- 18 The Infrastructure & Water Rights Component was established to provide funds to (1) purchase long-term rights to water as opportunities arise, and (2) construct additional infrastructure facilities as the need arises in the future.
- 19 The Replenishment Reserve Charge is based on a program to establish a replenishment reserve of long-term storage credits as required by statutes. Excess CAP water will be purchased at the CAP Incentive Recharge rate and stored at a combination of direct recharge facilities and groundwater savings facilities in the Phoenix and Tucson AMAs. In the Pinal AMA, credits will be purchased from CAP at the incentive recharge rate in accordance with Board policy adopted on October 6, 2005. This charge will be levied as provided in ARS Sections 48-3774.01 and 48-3780.01.
- 20 The components of the Contract Replenishment Tax - Scottsdale reflect the provisions in the Water Availability Status Contract to Replenish Groundwater Between CAWCD and Scottsdale. The rates reflect the assumption that Excess CAP water will be available to meet the associated contract replenishment obligations.
- 21 The Enrollment Fee and Activation Fee reflect the fees established pursuant to the CAGRDR Enrollment Fee and Activation Fee Policy adopted by the Board on May 1, 2008. \$2 per housing unit has been added to the enrollment fee to help fund CAGRDR's conservation program.

Electricity Costs

(General Fund)

	2007 Actuals	2008 Actuals	2009 Projected	2010 Budget	2011 Budget
Energy Purchases (MWH)					
Navajo	2,040,427	2,168,215	2,146,854	2,212,522	2,683,329
Hoover B	156,746	151,000	141,771	152,000	152,000
Waddell	47,378	46,109	58,314	38,478	44,649
Subtotal	2,244,551	2,365,324	2,346,939	2,403,000	2,879,978
Additional energy	436,319	437,918	522,536	407,919	-
Recovery energy	9,465	27,420	25,854	11,056	3,830
Total energy purchases	2,690,335	2,830,662	2,895,329	2,821,975	2,883,808
Energy Rates (\$/MWH)					
Navajo	\$ 22.83	\$ 22.83	\$ 30.27	\$ 32.07	\$ 33.07
Hoover B	14.95	15.18	\$ 17.25	\$ 15.84	\$ 18.74
Subtotal average energy rates	22.27	22.33	29.46	31.02	32.30
Additional energy	56.18	51.86	36.69	50.43	-
Recovery energy	61.80	58.64	60.90	65.76	68.74
Total average energy rates	\$ 28.01	\$ 27.33	\$ 31.08	\$ 34.01	\$ 32.35
Energy Costs (\$000)					
Navajo	\$ 46,580.8	\$ 49,498.1	\$ 64,985.3	\$ 70,950.5	\$ 88,732.3
Hoover B	2,343.3	2,292.7	2,446.1	2,407.7	2,848.1
Subtotal pumping plant energy	48,924.1	51,790.8	67,431.3	73,358.2	91,580.4
Additional energy	24,510.8	22,711.3	19,171.7	20,572.5	-
Recovery energy	584.9	1,608.0	1,574.4	727.1	263.3
Total pumping plant energy	74,019.8	76,110.1	88,177.4	94,657.8	91,843.7
MWD agreement expense	94.5	76.5	87.5	75.0	85.0
Water inventory Adjustment	-	-	-	(500.1)	(200.0)
Lake Roosevelt adjustment	-	1.0	1,468.8	569.4	569.4
Lake Pleasant adjustment	3,642.7	(748.1)	(3,876.4)	(569.3)	566.0
Net pumping energy	\$ 77,757.0	\$ 75,439.5	\$ 85,857.3	\$ 94,232.8	\$ 92,864.1

Annual Repayment Obligation

Master Repayment Contract

Cash Basis (In Thousands)

	Actuals / Forecast of Activity (Cash Basis)				
	2008 (actuals)	2009 (actuals)	2010 (forecast)	2011 (forecast)	2012 (forecast)
Sources of Funds					
Navajo-related revenues:					
SRP consideration fee	\$ 21,543	\$ 21,750	\$ 21,750	\$ 21,750	\$ 26,663
Net NGS operations	(3,277)	(8,061)	(7,267)	231	(2,007)
Net NGS miscellaneous revenues	969	1,044	1,300	1,100	1,100
SO ₂ credits	10,741	(1)	-	7,365	10,304
Hoover 4.5 mil surcharge	3,316	3,289	3,400	3,400	3,400
Parker-Davis	2,456	2,439	2,500	2,500	2,500
Net CAP transmission revenues	1,570	2,672	420	(308)	316
Transmission revenues SWTC	-	-	-	-	-
Transmission line loss revenues	713	957	957	957	957
Land-related revenues:					
Land-use (net)	918	351	710	500	500
Land sales (net)	-	-	685	5,520	5,000
Interest on Basin Development Fund deposits	507	385	390	500	550
Interest on prior year balance	-	-	-	-	-
Contribution from CAWCD reserves	17,976	31,794	30,958	12,650	6,028
Total	\$ 57,432	\$ 56,618	\$ 55,803	\$ 56,165	\$ 55,311
Uses of Funds					
Principal	25,167	\$ 25,167	25,167	\$ 26,343	26,343
Interest	32,265	31,451	30,636	29,822	28,968
Total	\$ 57,432	\$ 56,618	\$ 55,803	\$ 56,165	\$ 55,311

The Department of the Interior and the CAWCD entered into a contract for delivery of water and repayment of costs of the Central Arizona Project in December 1972. The contract was amended in December 1988 and further modified by the repayment stipulation in May 2000. This contract is known as the Master Repayment Contract. The Master Repayment Contract requires the District to repay the reimbursable costs of the CAP over a 50-year period for each construction stage.

Reconciliation of Operation, Maintenance & Replacement Costs

(In Thousands)

CALCULATION OF FIXED OM&R

	2009		2010		2011	
	Projected	Pre-Set Rates	Budget	Pre-Set Rates	Budget	Advisory Rates
General Fund Operating Expenses	\$ 203,868.8		\$ 213,233.0		\$ 216,019.1	
Less						
Hoover capacity charges	(3,736.6)		(3,565.5)		(3,705.3)	
Amortization of Permanent Service Right	(29,716.8)		(27,685.0)		(27,685.0)	
Navajo accretion	(476.9)		(500.8)		(525.8)	
Total Water Delivery Expenses	169,938.5		181,481.7		184,103.0	
Less adjustments:						
Pumping power	(85,857.3)		(94,232.8)		(92,864.1)	
Underground storage site O&M	(1,607.8)		(1,576.8)		(1,647.8)	
Raise canal lining	(2,209.2)		-		-	
Miscellaneous	-					
Other income	(357.5)		(459.9)		(409.9)	
Disposal of assets (net)	(40.0)		(40.0)		(40.0)	
Crossing agreements	(30.0)		(60.0)		(50.0)	
Depreciation	(11,706.0)		(13,740.6)		(15,572.4)	
Inventory	(284.3)		(300.0)		(300.0)	
Less adjustments	(102,092.1)		(110,410.1)		(110,884.2)	
Fixed OM&R	\$ 67,846.4		\$ 71,071.6		\$ 73,218.8	

CALCULATION OF RECONCILED WATER RATES

	2009		2010		2011	
	Projected	Pre-Set Rates	Budget	Pre-Set Rates	Budget	Advisory Rates
OM&R Costs:						
Fixed OM&R	\$ 67,846.4	\$ 69,476.0	\$ 71,071.6	\$ 71,207.0	\$ 73,218.8	\$ 74,614.0
Pumping power (Energy Rate 1)	55,934.7	57,019.0	63,080.8	60,386.0	92,864.1	76,893.0
SO2 credits applied	(1,787.8)	(4,500.0)	(3,000.0)	(3,000.0)	(1,500.0)	(1,500.0)
Net Energy Rate 1	54,146.9	52,519.0	60,080.8	57,386.0	91,364.1	75,393.0
Water Deliveries (Acre-Feet)						
Total water volumes	1,612,088	1,589,957	1,539,513	1,588,095	1,559,422	1,525,764
Energy Rate 1 water volumes	1,157,389	1,170,258	1,123,414	1,184,603	1,559,422	1,525,764
Cost Per Acre-Feet						
Fixed OM&R	\$ 42.09	\$ 44.00	\$ 46.16	\$ 45.00	\$ 46.95	\$ 49.00
Capital component	19.00	19.00	24.00	24.00	28.00	28.00
Navajo decommissioning rate (\$/AF)	0.13	0.13	0.14	0.14	0.15	0.15
Energy Rate 1	46.78	44.87	53.48	48.86	58.59	49.85
Total	\$ 108.00	\$ 108.00	\$ 123.78	\$ 118.00	\$ 133.69	\$ 127.00

Additional SO2 credits needed to stabilize rate	\$ 6,494.0	\$ 10,430.1
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