



Central Arizona Project Stakeholder Rate Briefing 2027-2032

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YOUR WATER. YOUR FUTURE.



**Feedback/Questions:
email to
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Agenda

- ❖ Background
- ❖ Taxes
- ❖ Water Delivery Rates
- ❖ Federal Repayment & Capital Charges
- ❖ Underground Storage Rates
- ❖ Recovery Rate
- ❖ CAGR Rates, Fees and Dues

CAP's Two-Year Financial Planning Cycle

Even years

- Long-range financial plan
- Set water rates
- Strategic plan
- Reserve strategy review
- Budget update (if required)

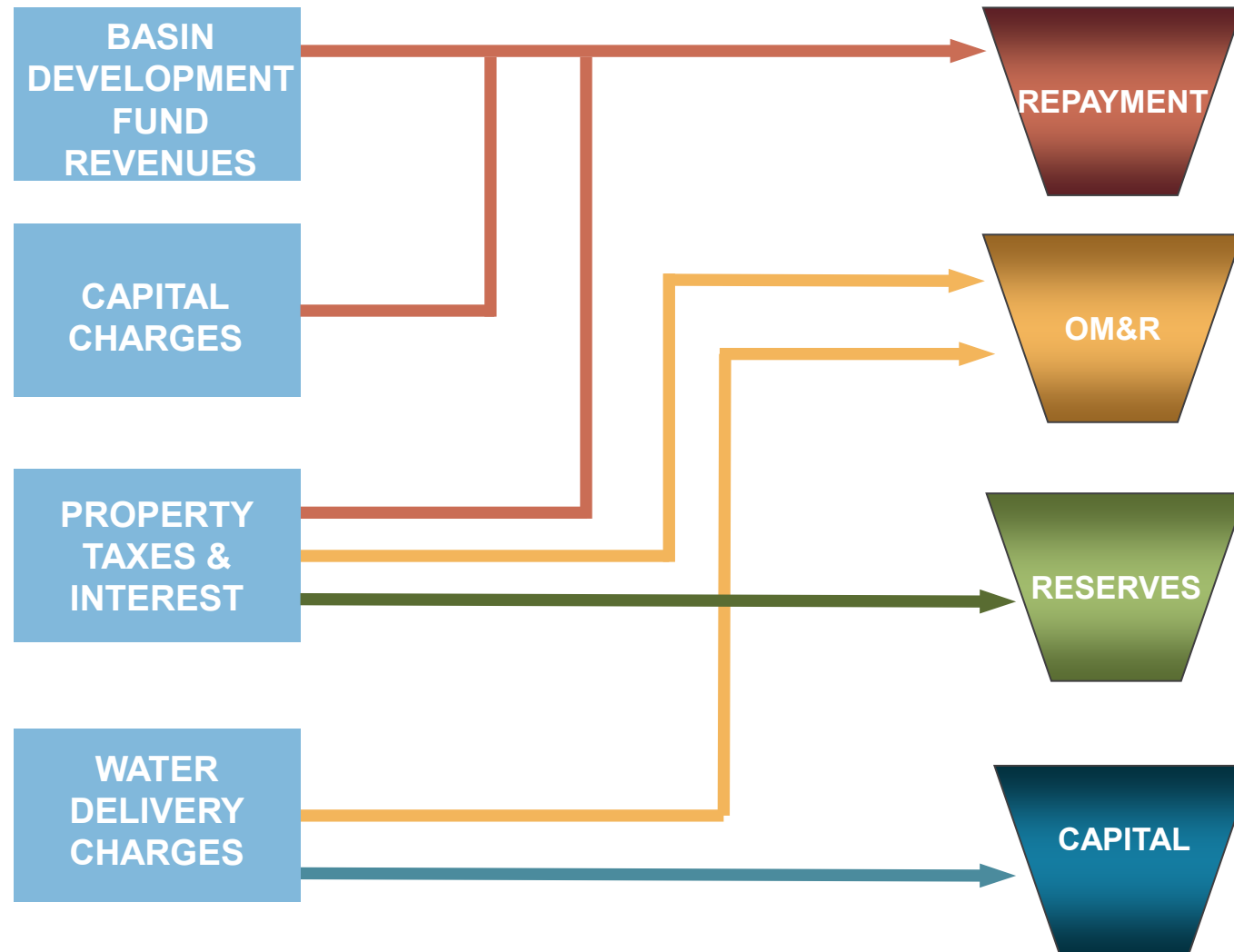
Odd years

- 2-year Budget and Business Plan (e.g. 2026-2027)
- Water rate update (if required)

Every year

- Quarterly financial reviews
- Set tax rates

General Fund Sources and Uses of Revenue



Taxes

CAWCD Tax Authority

Two taxes authorized:

- General Ad Valorem Tax not to exceed 10 cents per \$100 of assessed valuation

A.R.S.§48-3715

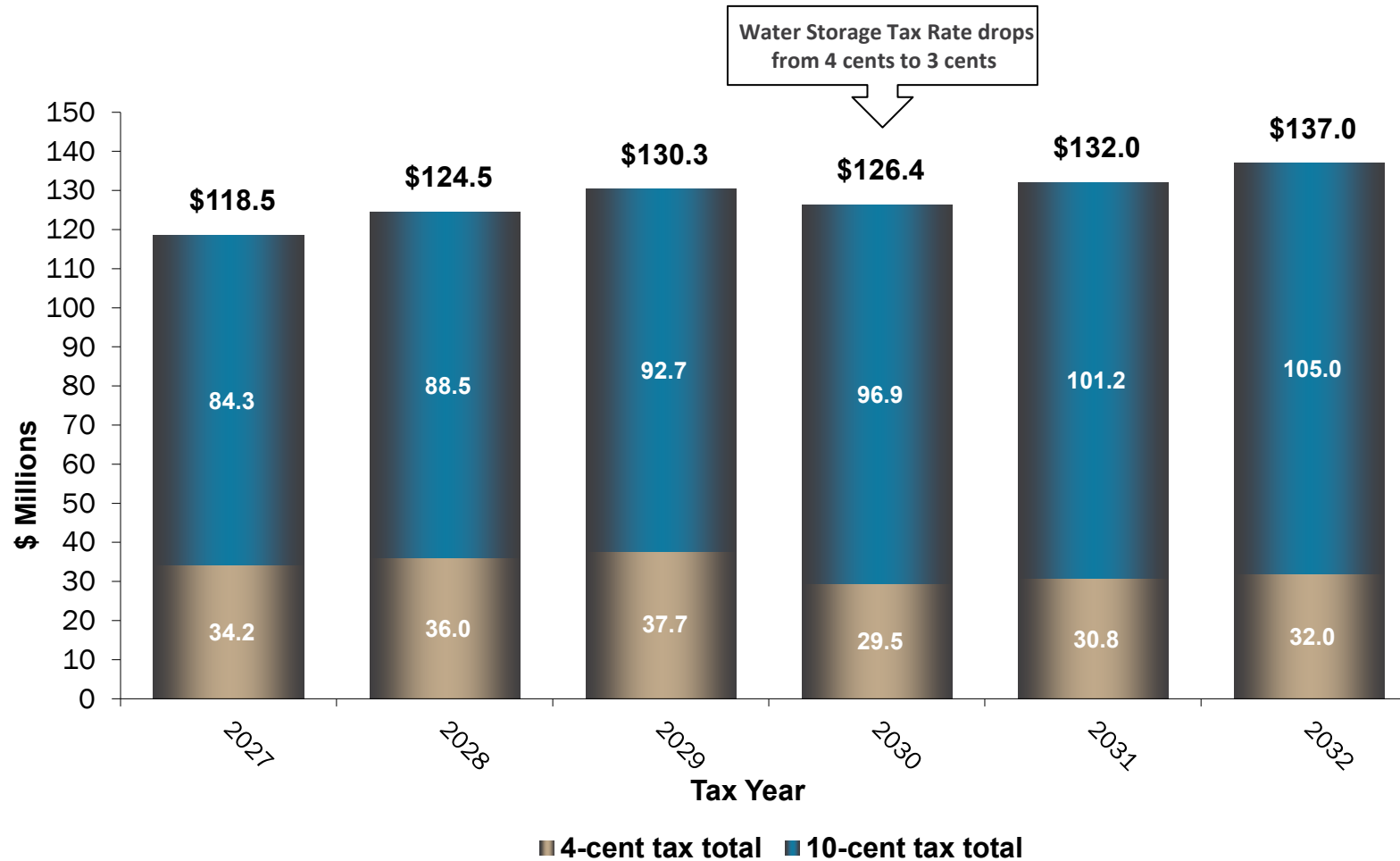
- “Water Storage” Ad Valorem tax not to exceed 4 cents per \$100 of assessed valuation

A.R.S. §48-3715.02

CAWCD property taxes are based on Limited Property Value (LPV)



Property Tax Revenue



Taxes & Rates

Taxes are for 2026/27 tax year:

- 1 cent of tax = \$8.4 million
- 1 cent of tax = \$13 per acre-foot decrease in capital charges
- 1 cent of tax = \$10 per acre-foot decrease in Fixed O&M rate or Energy rate

Water Delivery Rates

CAP Water Delivery Rate

- Water delivery rates are necessary to recover water delivery costs, on a long-term basis, net of other revenue sources
- Water rates are based on “Cost of Service” and reconciled annually
- In general, annual rates = costs ÷ deliveries
- Major rate-setting process in even years, with update (if necessary) in odd years
- Annual rates are published six years in advance:
 - 1 year **FIRM** – e.g., 2027
 - 1 year **PROVISIONAL** (becomes FIRM with no further action unless modified by the Board) – e.g., 2028
 - 4 years **ADVISORY** – e.g., 2029-2032

Key Assumptions

General

- Water rates are set to recover costs, on a long-term basis, net of other revenue
- Rates will be posted at 825,000 acre-feet of deliveries
 - ✓ water volumes from 500,000 acre-feet to 900,000 acre-feet are shown separately
- Projects funded from Extraordinary Cost Reserve or alternative source will be excluded from Fixed OM&R as identified in budget & 2026 Extraordinary Cost Reserve update
- Energy will follow water volume assumptions
 - ✓ Long-term resources include Hoover and Solar project
 - ✓ Forecast estimates are at futures market rates

Key Assumptions

General

- Capital replacement and Extraordinary Maintenance costs are increasing with primary impacts from:
 - ✓ an aging infrastructure
 - ✓ increased contract labor cost
 - ✓ increased material costs

Proposed “Big R” Rates

	2026	2027	2028	2029	2030	2031	2032
<i>(Millions, except where noted)</i>							
Total "Big R" Capital	\$ 44.7	\$ 44.1	\$ 48.0	\$ 50.2	\$ 45.0	\$ 44.3	\$ 46.2
Transmission Projects:							
Debt Service	3.6	3.6	3.6	3.6	3.6	3.6	3.6
Extraordinary Maintenance	2.5	-	7.5	12.0	0.5	6.0	-
"Big R" Spending	\$ 50.8	\$ 47.7	\$ 59.1	\$ 65.9	\$ 49.1	\$ 53.9	\$ 49.9
Totals - Billed Water (KAF)	825	825	825	825	825	825	825
Calculated "Big R" Rate (\$/AF)	\$61.60	\$57.83	\$71.63	\$79.84	\$59.55	\$65.36	\$60.45
Published "Big R" Rate (\$/AF)	\$49	\$53	\$56	\$59	\$62	\$65	\$68
Estimated Annual Collection (\$M)	\$ 40.4	\$ 43.7	\$ 46.2	\$ 48.7	\$ 51.2	\$ 53.6	\$ 56.1

Proposed Water Delivery Rates

	Firm 2026	Firm 2027	Provisional 2028	Advisory			
				2029	2030	2031	2032
825KAF for 2027-2032							
Water Delivery Costs (Thousands)							
Fixed O&M Expenses	\$ 144,310	\$ 151,996	\$ 158,765	\$ 163,979	\$ 173,564	\$ 177,788	\$ 186,872
Total Pumping Energy Expenses	71,081	72,757	75,026	77,250	79,547	82,113	84,652
Water Deliveries (Acre-Feet)							
Total water deliveries with credits	825,000	825,000	825,000	825,000	825,000	825,000	825,000
Water Delivery Rate (\$/AF)							
Calculated Fixed O&M Rate	\$ 175	\$ 185	\$ 193	\$ 199	\$ 210	\$ 216	\$ 227
Capital Replacement Component ("Big R")	49	53	56	59	62	65	68
Total Fixed OM&R	224	238	249	258	272	281	295
Total Pumping Energy Rate	85	88	91	94	97	100	103
Total Delivery Rate	\$ 309	\$ 326	\$ 340	\$ 352	\$ 369	\$ 381	\$ 398

2026 Proposed vs. 2025 Advisory Water Delivery Rates

@ 825,000 acre-feet deliveries \$/acre-foot	2027	2028
Fixed O&M:		
2026 Proposed	\$185	\$193
2025 Advisory	\$185	\$187
Change	\$ -	+\$6
'Big R':		
2026 Proposed	\$53	\$56
2025 Advisory	\$50	\$52
Change	+\$3	+\$4
Energy:		
2026 Proposed	\$88	\$91
2025 Advisory	\$88	\$91
Change	\$ -	\$ -



Federal Repayment & Capital Charges

Federal Repayment & Capital Charges

Federal Repayment

- Basin Development Fund net revenues are applied toward repayment first
- Balance must be made up as a cash makeup payment
- Annually CAWCD Board determines if any taxes are applied towards repayment
- Balance of cash makeup payment are made from capital charges
- Repayment at \$54 million for 2027 and decreases annually to \$48 million in 2032
- Basin Development Fund credit is at risk of lower Hoover and Parker Davis mil levies due to lower lake levels
 - ✓ results in a lower BDF credit and a higher cash makeup payment

Capital Charges

- Paid on M&I allocations, regardless of water delivery
- Not paid by federal and Ag Settlement Pool
- Must be used toward federal debt payment on a cumulative basis
- Calculated after current tax considerations for repayment

Federal Repayment & Proposed Capital Charges

	2027	2028	2029	2030	2031	2032
Federal Repayment	\$ 53,586	\$ 53,425	\$ 51,968	\$ 50,510	\$ 49,444	\$ 47,973
Total Basin Development Fund Credit	(9,562)	(8,694)	(8,640)	(8,638)	(8,584)	(8,531)
Net Cash Payment	\$ 44,024	\$ 44,731	\$ 43,328	\$ 41,872	\$ 40,860	\$ 39,442
<u>Taxes Applied:</u>						
2025/26 – General Ad Valorem @ 0.5¢	(3,600)					
Cash Needed from Capital Charges	\$ 40,424	\$ 44,731	\$ 43,328	\$ 41,872	\$ 40,860	\$ 39,442
Allocation (af) -Incl. CAGR Credits & Wheeled Water	685,175	687,189	688,951	694,344	698,205	699,083
Capital Charge (\$ acre foot)	\$ 58	\$ 65	\$ 62	\$ 60	\$ 58	\$ 56

2026 Proposed vs. 2025 Advisory Capital Charges

\$/acre-foot	2027	2028
Capital Charges:		
2026 Proposed	\$58	\$65
2025 Advisory	\$58	\$64
Change	\$ -	+\$1



Non-Indian Agriculture

In 2021, the Bureau of Reclamation reallocated 44,530 acre-feet, leaving 51,765 acre-feet for future reallocation

Total due to CAWCD for the allocation was:

- \$29.6 million for 9(d) Debt
- \$38.8 million for capital charges
- \$18.9 million capital charge interest

CAWCD Board offered 5-year payment terms, of which about half of recipients opted to enroll

Total capital charges and related interest = \$57.7 million

Non-Indian Agriculture Back Capital Charge Background

With Post-2026 water volumes remaining uncertain, there is the potential for major rate fluctuations (rate reconciliations) in 2027 and beyond

NIA back capital charges must be used toward Federal Repayment by either:

- Applying it to current or future years
- Retroactively paying CAP back for the use of taxes in prior year cash makeup payments

The Capital Charge is calculated independent of volume, so it is the one rate element that remains within 100% of CAP's control now and in the future

Locking in a long-term capital charge will also have the potential benefit of eliminating the use of taxes toward federal repayment, free up those revenues for other uses

Application of NIA Back capital charges to rate options

	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Capital Charge Projection	\$ 58	\$ 65	\$ 62	\$ 60	\$ 58	\$ 56	\$ 54	\$ 52	\$ 51	\$ 50

To hold the capital charge at \$50/af for 2027 through 2036 would cost about \$54 million

- which is roughly equivalent to the amount of back capital charges plus most of the related interest on the reallocated NIA rights

To hold the capital charge at \$52/af for 2027 through 2036 would cost about \$40 million

- which is roughly equivalent to the amount of back capital charges on the reallocated NIA rights



Underground Storage Rates

Proposed Underground Storage Rates

DIRECT UNDERGROUND WATER STORAGE
Units = \$/acre-foot

	<u>2026</u>	<u>Firm</u> <u>2027</u>	<u>Provi-</u> <u>sional</u> <u>2028</u>	<u>2029</u>	<u>Advisory</u> <u>2030</u>	<u>2031</u>	<u>2032</u>
<u>Underground Water Storage O&M</u>							
Phoenix AMA	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15
Tucson AMA	15	15	15	15	15	15	15
<u>Underground Water Storage Capital Charge*</u>							
Phoenix AMA	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15
Tucson AMA	9	9	9	9	9	9	9

*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.

Recovery Rate

Proposed Recovery Rate

CAWCD establishing recovery rate to facilitate planning

- Must have a recovery agreement with CAWCD
- Variety of activities are in process to support recovery
- Anticipate a variety of methods, including:
 - ✓ Credit exchange
 - ✓ Indirect recovery
 - ✓ Direct recovery
- Recovery reserves will be held separately from other CAWCD reserves (similar to Recharge)

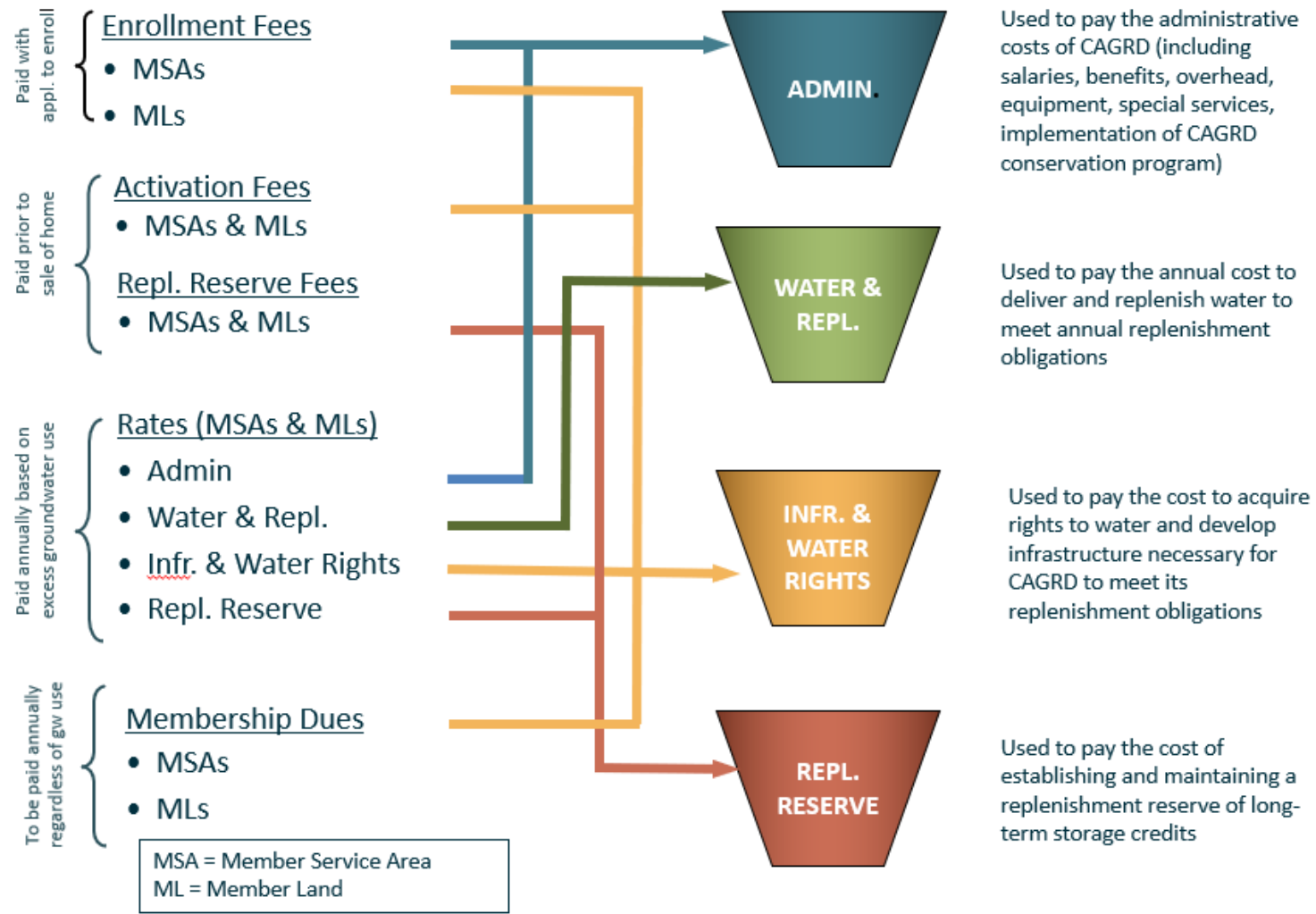
Proposed Recovery Rate

- Rate is blended across recovery methods
- One postage stamp rate regardless of AMA
- CAWCD Water Delivery rate paid in addition to recovery rates

RECOVERY							
Units = \$/acre-foot							
	<u>2026</u>	Firm <u>2027</u>	Provi- sional <u>2028</u>	<u>2029</u>	<u>Advisory</u>		
					<u>2030</u>	<u>2031</u>	<u>2032</u>
Recovery Rate	\$ -	\$ 400	\$ 410	\$ 420	\$ 431	\$ 442	\$ 453

CAGR Rates, Fees and Dues 2026/27 thru 2031/32

CAGRD Revenue Stream



CAGRD Assumptions

Rates

Water & Replenishment and Replenishment Reserve Rates are based on CAWCD's 825,000 acre-feet delivery rates

- ✓ Alternative rates utilizing the 500,000 acre-feet to 900,000 acre-feet are shown

Replenishment reserve targets are based on revised statutes

- ✓ Phoenix and Tucson AMAs are current at or above targets, so no replenishment reserve rates
- ✓ Pinal is not at target, so continue to collect replenishment reserve rate

Infrastructure & Water Rights costs continue to increase

- ✓ Increased I&WR rates in the Phoenix and Tucson by the same amount as the Replenishment Reserve rate

Replenishment Reserve and I&WR purposes are similar, ensuring supplies are available when replenishment requirements are above available CAP water

CAGRD Assumptions

Fees

- Fees increase 5% per year based on previous discussions

Annual Membership Dues

- Collect Annual Membership Dues at 100% allowable
- Annual Membership Dues are in accordance with the recently passed legislation
 - ✓ 2026/2027 AMDs cannot be more than 2025/2026 rates for Member Lands per 2025 Ariz. Sess. Laws, ch. 148, § 2
- Meet replenishment requirements in year following obligation created

Proposed CAGRD Rates, Fees and Dues

CENTRAL ARIZONA GROUNDWATER REPLENISHMENT DISTRICT ASSESSMENT RATES								
Units = \$/acre-foot								
CAWCD Delivery Volumes (acre-feet)	900K	825K	825K	825K	825K	825K	825K	
	Firm	Firm	Provisional	Advisory				
	<u>2025/26</u>	<u>2026/27</u>	<u>2027/28</u>	<u>2028/29</u>	<u>2029/30</u>	<u>2030/31</u>	<u>2031/32</u>	
<u>Phoenix Active Management Area</u>								
Water & Replenishment Component ¹	\$ 349	\$ 365	\$ 384	\$ 405	\$ 414	\$ 429	\$ 439	
Administrative Component ²	67	67	67	65	63	62	62	
Infrastructure & Water Rights Component ³	371	512	537	564	589	617	644	
Replenishment Reserve Charge ⁴	116	-	-	-	-	-	-	
Total Assessment Rate (\$/AF)	\$ 903	\$ 944	\$ 988	\$ 1,034	\$ 1,066	\$ 1,108	\$ 1,145	
<u>Pinal Active Management Area</u>								
Water & Replenishment Component ¹	\$ 361	\$ 373	\$ 392	\$ 405	\$ 414	\$ 429	\$ 439	
Administrative Component ²	\$ 67	67	67	65	63	62	62	
Infrastructure & Water Rights Component ³	\$ 371	389	409	429	451	474	498	
Replenishment Reserve Charge ⁴	\$ 116	123	128	135	138	143	146	
Total Assessment Rate (\$/AF)	\$ 915	\$ 952	\$ 996	\$ 1,034	\$ 1,066	\$ 1,108	\$ 1,145	
<u>Tucson Active Management Area</u>								
Water & Replenishment Component ¹	\$ 361	\$ 373	\$ 392	\$ 405	\$ 414	\$ 429	\$ 439	
Administrative Component ²	67	67	67	65	63	62	62	
Infrastructure & Water Rights Component ³	371	512	537	564	589	617	644	
Replenishment Reserve Charge ⁴	116	-	-	-	-	-	-	
Total Assessment Rate (\$/AF)	\$ 915	\$ 952	\$ 996	\$ 1,034	\$ 1,066	\$ 1,108	\$ 1,145	

Proposed CAGR Rates, Fees and Dues

	Firm <u>2025/26</u>	Firm <u>2026/27</u>	Provisional <u>2027/28</u>	Advisory			
				<u>2028/29</u>	<u>2029/30</u>	<u>2030/31</u>	<u>2031/32</u>
ENROLLMENT & ACTIVATION FEES							
<u>Units = \$/Unit</u>							
Enrollment Fee - Commercial Parcels ⁶	\$ 1,568	\$ 1,647	\$ 1,729	\$ 1,815	\$ 1,906	\$ 2,001	\$ 2,101
Enrollment Fee ⁶	\$ 411	\$ 431	\$ 453	\$ 475	\$ 499	\$ 524	\$ 550
Activation Fee - Minimum ⁷	\$ 409	\$ 429	\$ 451	\$ 473	\$ 497	\$ 522	\$ 548
Activation Fee - Phoenix AMA ⁷	\$ 1,676	\$ 1,760	\$ 1,848	\$ 1,940	\$ 2,037	\$ 2,139	\$ 2,246
Activation Fee - Pinal Post-2007 ⁷	\$ 1,676	\$ 1,760	\$ 1,848	\$ 1,940	\$ 2,037	\$ 2,139	\$ 2,246
Activation Fee - Tucson AMA ⁷	\$ 1,158	\$ 1,216	\$ 1,276	\$ 1,340	\$ 1,407	\$ 1,477	\$ 1,551
ANNUAL MEMBERSHIP DUES							
<u>Member Land Annual Membership Dues (\$/Lot) ⁸</u>							
Phoenix Active Management Area	\$ 29.47	\$ 29.47	\$ 40.82	\$ 43.54	\$ 47.06	\$ 50.92	\$ 55.41
Pinal Active Management Area	\$ 22.93	\$ 22.93	\$ 40.82	\$ 43.54	\$ 47.06	\$ 50.92	\$ 55.41
Tucson Active Management Area	\$ 33.52	\$ 33.52	\$ 40.82	\$ 43.54	\$ 47.06	\$ 50.92	\$ 55.41
<u>Member Service Area Annual Membership Dues (\$/AF) ⁸</u>	\$ 115.26	\$ 116.05	\$ 136.07	\$ 145.14	\$ 156.86	\$ 169.73	\$ 184.71



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Thank You!

YOUR WATER. YOUR FUTURE.

DANGER
WATER
RELEASES
BEGIN
60 SECONDS
AFTER
SIREN SOUNDS