

# ARIZONA REVISED STATUTES

## Title 45 - Waters

### Chapter 13 – County Water Authority

#### Article 1 - Formation and Dissolution

##### 45-2201. Definitions

In this chapter, unless the context otherwise requires:

1. "Agricultural use" means water used primarily in the commercial production of agricultural crops or livestock, including domestic uses incidental to those uses, and used on tracts of land operated in units of more than five acres.
2. "Authority" means a water authority established under this chapter.
3. "Board" means the board of directors of the authority.
4. "Central Arizona project" means the reclamation project and works authorized by section 301 (a) of the Colorado river basin project act and constructed by the United States pursuant to the provisions of the Colorado river basin project act and contract between the United States and central Arizona water conservation district for delivery of water and repayment of costs of the central Arizona project.
5. "Colorado river water" means water from the main stream of the Colorado river.
6. "Conservation" means the preservation and planned management of water resources to ensure the future availability of water resources.
7. "Effluent" means water that has been collected in a sanitary sewer for subsequent treatment in a facility that is regulated pursuant to title 49, chapter 2. Such water remains effluent until it acquires the characteristics of groundwater or surface water.
8. "Industrial use" means a nonagricultural use of water not supplied by a city, town or private water company, including animal industry use and expanded animal industry use as defined in section 45-402.
9. "Multi-county water conservation district" means a multi-county district established under title 48, chapter 22, which has contracted with the United States for the repayment of the cost and for the delivery of the water supply in accordance with P.L. 90-537.
10. "Municipal use" means all nonagricultural uses of water supplied by a city, town, private water company or irrigation district.
11. "Municipal water provider" means a city, town, private water company or irrigation district that supplies water for a nonagricultural use.
12. "Private water company" means any entity that distributes or sells groundwater, except a political subdivision or any entity that is established pursuant to title 48 and that is not regulated as a public service corporation by the Arizona corporation commission under a certificate of public convenience and necessity.
13. "Tentatively allocated" means water of the main stem of the Colorado river water that has been recommended by the director to the secretary of the interior for allocation, but for which a contract with the secretary for delivery has not been signed.
14. "United States" means the secretary of the interior, acting for the United States department of interior, or his duly authorized representative.

##### 45-2202. Formation

- A. An authority may be formed in any county with a population of more than ninety thousand persons and less than one hundred twenty thousand persons according to the most recent United States decennial census.
- B. The members of the authority shall include municipal corporations in the county that:
  1. Had contracts with the United States for the delivery of Colorado river water as of January 1, 1993.
  2. Have adopted resolutions approving the formation of the authority as prescribed by subsection C, paragraph 1.
- C. The authority shall be formed on the occurrence of the following events:
  1. The adoption of resolutions approving the authority's formation by a majority of the municipal corporations in the county that had contracts with the United States for the delivery of Colorado river water

as of January 1, 1993. A municipal corporation shall concurrently appoint the person who will represent the municipal corporation on the authority's board.

2. The transfer to the authority of the right to the delivery of eighteen thousand five hundred acre-foot per year of Colorado river water from a municipal corporation in the county where the authority is to be formed within seven hundred thirty days of the adoption of resolutions as prescribed by paragraph 1 of this subsection.

D. On full compliance with subsection C, the authority shall:

1. Notify the board of supervisors in the county in which the authority is formed of the authority's formation.

2. Publish a notice of the authority's formation once each week for two consecutive weeks in three newspapers of general circulation in the county in which the authority is formed.

3. Notify each authority member that the events prescribed by subsection C have occurred.

E. An authority member that in connection with the formation of the authority or after the formation of the authority transfers, or causes to be transferred, to the authority all or a portion of its contractual entitlement to the delivery of Colorado river water shall remain an authority member after the transfer.

F. By vote of the directors, the membership of the authority may be expanded to include municipal corporations in the county that obtain contracts for the delivery of Colorado river water from the United States after January 1, 1993.

#### 45-2203. Contest of formation; appeal

A. Any aggrieved person or entity may contest the formation of the authority under this chapter by filing an action in the superior court in the county in which the authority is formed. Any contest must be filed within thirty days after the second publication of notice of the authority's formation as provided in section 45-2202. If more than one contest is pending, they shall be consolidated for trial.

B. The superior court shall try all contests without delay and shall determine whether the formation of the authority and appointment of the board occurred in substantial compliance with this article.

C. The formation of the authority is lawful and conclusive against all persons if an action is not filed as provided in subsection A of this section. If an action is filed as provided in subsection A of this section and that action is unsuccessful, the formation of the authority is lawful and conclusive against all persons on the date that the judgment dismissing the action is no longer subject to judicial review.

D. The authority may exercise all of the powers provided by this chapter notwithstanding the pendency of any contest.

#### 45-2204. Corporate existence; exemption from regulation

A. The authority is a corporate and political body that may act in its official corporate name and shall have all of the rights and immunities of municipal corporations that are granted by the constitution and statutes of this state, including immunity of its property from taxation.

B. The authority is not a public service corporation subject to regulation by the Arizona corporation commission.

#### 45-2205. Dissolution of authority

A. The authority may be dissolved only by a unanimous vote of the directors who are appointed by authority members pursuant to section 45-2221, subsection B and only if all contractual obligations and debts of the authority are satisfied and another governmental entity or entities accept dedication of all authority projects.

B. After unanimously voting to dissolve the authority as provided in subsection A of this section, the directors who are appointed by authority members pursuant to section 45-2221, subsection B shall adopt by resolution a plan of termination to be executed within a stated period of time after it is adopted. The plan of termination is judicially enforceable and shall contain the following provisions:

1. Except as provided in paragraph 2 of this subsection, all rights to the delivery of water that were transferred to the authority in connection with the formation of the authority shall be returned to the municipal corporation that transferred these rights, subject to approval of the secretary of the interior in consultation with the director.

2. If, before the dissolution of the authority, an authority member has either paid to the authority all of its pro rata share of the amount prescribed by section 45-2281, subsection C, as prescribed in its

subcontract with the authority or has entered into a contract to pay that amount to the entity entitled to the payment of that amount, the authority member retains the right to the delivery of Colorado river water for which the member's payment was made and the right to the delivery of Colorado river water shall not be returned as provided in paragraph 1 of this subsection.

C. All property of the authority that is not dedicated to another governmental entity shall be transferred to the department for use in the county in which the authority is formed. All monies of the authority deposited in the grant fund as of the date of dissolution of the authority shall be disbursed as provided in section 45-2281. All other unexpended and unencumbered monies of the authority shall be disbursed among authority members as provided in a resolution of the board.

## Article 2 – Administration

### 45-2221. Board of directors; organization; compensation

A. The authority shall have a board of directors. Each director appointed pursuant to this section shall have one vote.

B. The board consists of persons appointed by the resolutions of the municipal corporations that are authority members and, if appointed, the person appointed pursuant to subsection C. Each authority member shall appoint one director to the board. Each director appointed pursuant to this subsection shall serve at the pleasure of the authority member that appointed him. Each director appointed pursuant to this subsection may be removed from the board by resolution of the authority member that appointed him. An authority member that removes a director from the board shall appoint another director to the board.

C. The supervisors of the county in which the authority is formed may appoint a director to the board from among the members of the board of supervisors. A director appointed pursuant to this subsection shall serve a term of one year and shall be succeeded by another person who is a member of the board of supervisors according to the terms of this subsection. The term of the member appointed by the board of supervisors shall begin on January 1 of each year.

D. The board shall select a chairperson, vice-chairperson and secretary-treasurer from among its appointed directors. Officers shall serve at the pleasure of the directors.

E. Board members are not eligible to receive compensation but are eligible for reimbursement of actual and necessary expenses while engaged in official business under order of the board.

F. The board members of the authority are public officers for purposes of title 38, chapter 3, article 8. The employees of the authority are employees for purposes of title 38, chapter 3, article 8.

### 45-2222. Meetings; notice

A. The board shall hold regular meetings every calendar quarter and additional meetings on the call of the chairperson or a majority of the board members. The secretary-treasurer shall give at least three days' notice of each meeting to each board member in addition to the public notices required by law.

B. The authority is a public body for purposes of title 38, chapter 3, article 3.1.

C. A majority of the board shall constitute a quorum. Except as provided in section 45-2205, all actions taken by the board require a majority vote of the board, unless the bylaws require a larger number of votes.

### 45-2223. Administrative powers and duties; executive director

A. The board shall:

1. Determine its organizational and procedural structure.
2. Adopt, amend or repeal bylaws, rules and forms consistent with the requirements of this chapter.
3. Prescribe a system of accounts.
4. Exercise the powers and duties of the authority as prescribed by this chapter.

B. The board may:

1. Manage, set policy and conduct the business and affairs of the authority.
2. Make and execute all necessary contracts, including intergovernmental agreements pursuant to title 11, chapter 7, article 3.
3. Assume, adopt and ratify contracts transferred to the authority by an authority member.
4. Sue and be sued.

5. Adopt a seal for the authority to be used to attest to documents.
  6. Provide for payment of all debts and appropriate claims against the authority from the appropriate funds.
  7. Employ an executive director and the administrative, legal, engineering, accounting, clerical and other staff as may be necessary and prescribe the duties, terms and conditions of employment.
  8. Retain outside professional services including accounting, engineering, legal and other consulting services.
  9. Acquire suitable offices, furnishings and necessary equipment and supplies.
  10. Perform all other acts necessary to carry out the purposes of this chapter.
- C. All actions taken by the authority under this chapter shall be in accordance with state and federal law and in compliance with the authority's contracts with the United States.

### Article 3 - Powers and Duties

#### 45-2241. Cooperation with governmental entities

A. The authority shall cooperate, coordinate and confer with the director of water resources, state agencies, municipal corporations, special districts, authorities, other political subdivisions of this state, private entities, Indian tribes and the United States on matters within their jurisdiction relating to the augmentation and conservation of the water supplies of the authority and its members.

B. Consistent with the purposes and policies of this chapter, the authority shall cooperate with established and existing organizations in acquiring, constructing and operating projects for use of or interconnection with suitable diversion, withdrawal, transportation, delivery, treatment, storage or recharge facilities.

C. Any authority member may request the authority to exercise its powers and privileges in making any project or proposed project, survey or investigation or for assistance in initiating or completing any works or projects authorized by this chapter.

D. The authority may act as any of the following:

1. A bargaining and negotiating agency in transactions and dealings between various departments of the state or federal government at the request of an authority member.

2. A connecting, intermediate or contracting medium for members when for united or joint participation such a medium is convenient or essential to the receipt, acceptance or enjoyment of any financial proposals, grants or other benefits to authority members that are made available under any statute or by any entity.

3. A coordinating, clearing, administering or supervising instrumentality through which members may cooperate or unite through contracts or agreements in applying or pooling their resources, functional rights or privileges for common purposes contemplated under this chapter.

4. A supervising instrumentality through which authority members may request the development of conservation plans for the use of Colorado river water.

E. Nothing in this section or in this chapter shall be construed to alter any debt limitation of any authority member.

#### 45-2242. Functional powers of the board

A. The board, for and in the name of the authority, may:

1. Lawfully acquire, sell, lease, exchange, occupy, manage, possess or otherwise dispose of real and personal property, easements and rights-of-way that are necessary or required for the uses and purposes of the authority.

2. Construct, maintain and operate all works and other property acquired and used for any of the projects owned by the authority.

3. Acquire, earn, hold, assign or otherwise dispose of long-term storage credits to the extent allowed under any provision of chapter 3.1 of this title.

4. Accept appointment or other authorization and act as agent of any authority member to acquire, transport, deliver, treat or recharge water or to engage in any activities prescribed in paragraph 3 of this subsection.

5. Acquire electricity or other forms of energy necessary to transport water or operate authority projects.

6. Subject to the requirements of section 45-2281, make grants to its members from the grant fund established in section 45-2281 to fund water acquisition, water reuse or water conservation programs proposed by authority members.

7. Plan, coordinate, construct, operate, maintain and dismantle water augmentation projects including treatment, recharge, underground storage and recovery and retention projects and, in conjunction with county flood control districts, flood control projects for water augmentation purposes.

8. Obtain grants and provide technical and financial assistance to authority members relating to the development of water supplies and water conservation plans.

9. With the permission of any affected authority member, negotiate with the United States in conjunction with the department regarding the administration, implementation or interpretation of:

(a) Colorado river water contracts of the authority.

(b) Subcontracts of the authority.

(c) Colorado river water contracts of authority members.

(d) Diversion of Colorado river water in the county in which the authority is formed.

10. Conduct any other activities that are reasonably necessary and related to the powers and duties described by this chapter.

B. The board may:

1. Apply for and hold, in its own name or on behalf of an authority member, any permits required by law to engage in the activities described in this chapter.

2. Take conveyances for all property acquired by the authority in the authority's name.

3. Sell, lease, exchange or otherwise dispose of any of the authority's property that is no longer necessary or suitable for the uses and purposes of the authority and execute, acknowledge and deliver all such conveyances, leases, contracts or other instruments as the board deems necessary.

4. Institute and maintain actions and proceedings necessary to enforce, maintain, protect or preserve all contracts, subcontracts, rights, privileges and immunities created under or granted by this chapter.

#### 45-2243. Limitation on powers

This chapter does not authorize the authority to:

1. Exercise any right of eminent domain.

2. Levy any ad valorem or excise tax provided that:

(a) The fees and rates authorized by section 45-2244, subsection B and section 45-2245, subsection H shall not be considered to be a tax.

(b) The authority may collect and remit any excise tax required to be collected or remitted.

3. Engage in the distribution of water within the service area of a city, town, private water company or irrigation district without the written authorization of the city, town, private water company or irrigation district.

4. Regulate the acquisition, use or disposal of water or water rights except as specifically provided by this chapter or pursuant to contractual agreements authorized by this chapter.

5. Sell, resell, deliver or distribute electricity or other forms of energy to others.

6. Acquire in its own name Colorado river water with respect to which a contract is pending between the United States and a member or that is contracted to an authority member without the authority member's express consent.

7. Acquire or contract to acquire any Colorado river water that has been tentatively allocated by the United States to a municipality before January 1, 1994 without the consent of the governing body of the municipality.

#### 45-2244. Acquisition and disposition of initial quantity of water

A. The authority, acting through its board, shall apportion the rights to the delivery of the first eighteen thousand five hundred acre-feet per year of Colorado river water that it obtains as follows:

1. The right to the delivery of fifteen thousand acre-feet per year of Colorado river water shall be apportioned by subcontract and made available to authority members for municipal uses.

2. The right to the delivery of three thousand five hundred acre-feet per year of Colorado river water shall be apportioned by subcontract and made available for industrial uses.

3. Notwithstanding the apportionment to municipal and industrial uses as prescribed by paragraphs 1 and 2 of this subsection, Colorado river water may be made available by the authority for industrial, agricultural or miscellaneous uses as prescribed by subsection F of this section until that water is needed for municipal or industrial uses.

B. The authority, acting through its board, shall make available Colorado river water that is apportioned for municipal uses as prescribed by subsection A, paragraph 1 of this section to authority members through subcontracts between the authority and the authority member for the sale and delivery of Colorado river water. The term of these subcontracts may be coextensive with the term of the contract with the United States pursuant to which the authority obtains the Colorado river water or the duration of the subcontracts may be for a lesser term. The rate charged for the Colorado river water made available to the authority members for municipal uses may be fixed for all or part of the subcontract term but shall be established by subcontract to permit the authority member to provide the water to its customers at a reasonable cost as determined by the authority in the exercise of its discretion. Any subcontract may require the authority member to pay water supply fees or to assess and share the cost of water supply fees with the authority. Water supply fees include standby or holding charges, development impact fees, connection fees, extraction fees, user fees, administrative fees, other fees or charges that the subcontract requires and the member collects for new uses to be served with the water made available pursuant to subcontract or any other fees that the authority determines to be necessary or prudent to fund the acquisition of replacement supplies of water. Any such fees assessed or collected by the authority member shall be remitted to the authority and deposited in the funds of the authority as provided in this chapter.

C. The Colorado river water apportioned for municipal uses under subsection B of this section shall be served by the authority member within the service area established for the authority member in any water service contract between the authority member and the United States. The Colorado river water so apportioned may not be served to any single industrial user for manufacturing purposes, processing purposes or thermoelectric power generation, with a demand greater than two hundred fifty acre-feet per year until the end of the seventh year after the authority is formed.

D. If Colorado river water that is made available to authority members for municipal uses pursuant to subsection B of this section is not subcontracted for by authority members within one year of the authority's formation pursuant to section 45-2202, subsection C, the Colorado river water may be made available by subcontract to other municipal water providers in the county in which the authority is formed on terms consistent with this section.

E. The authority shall make Colorado river water that is apportioned for industrial uses as provided in subsection A, paragraph 2 of this section available to applicants through subcontracts for the sale and delivery of that water. The term of the subcontracts shall be set by the authority and may be coextensive with the term of the contract with the United States pursuant to which the authority obtains the Colorado river water. The rate charged for Colorado river water made available to applicants for industrial uses may be established by subcontract or by tariff set by the authority. The rate charged may vary or may be fixed for all or a part of the subcontract term. The initial rate charged per acre-foot shall not be less than the rate charged per acre-foot by a multi-county water conservation district, or its successors, for the capital and fixed operation and maintenance charges associated with an acre-foot of central Arizona project municipal and industrial water in the year in which the authority subcontracts for the sale and delivery of the water.

F. Notwithstanding the apportionment to municipal and industrial uses as provided in subsection A, paragraphs 1 and 2 of this section, the authority may subcontract for the delivery of Colorado river water for industrial, agricultural or miscellaneous uses for which subcontracts have not been executed as provided in subsections B and E of this section or for which subcontracts have been executed as provided in subsections B and E of this section if there is no current demand for the water by the subcontractors. A subcontract for the delivery of Colorado river water for an industrial, agricultural or miscellaneous use under this subsection shall not be for a term of more than five years. A subcontract under this subsection may serve an existing use of Colorado river water which was not supported by a contract for the delivery of Colorado river water on January 1, 1994, or a new use of Colorado river water initiated after January 1, 1994. A subcontract under this subsection shall be subject to the approval of subcontractors with subcontracts entered into pursuant to subsection B of this section. Any subcontract under this subsection shall impose the charge per acre-foot of Colorado river water delivered that the authority in its discretion determines to be adequate. Any subcontract under this subsection may be renewed or extended successively for the same or a shorter period

of time. For purposes of this subsection, "miscellaneous use" means a use of water for recreational or fish and wildlife purposes.

G. The authority may accept transfers of the Colorado river water entitlements of its members and may contract with the United States for the delivery to the authority of the initial eighteen thousand five hundred acre-feet a year of Colorado river water obtained by the authority. The authority may contract with the United States for the delivery of any additional amounts of water obtained by the authority from its members and may contract as provided in section 45-2245.

H. Any subcontract under this section shall require the Colorado river water delivered pursuant to the subcontract to be used in the county in which the authority is formed.

45-2245. Acquisition and disposition of water in excess of initial quantity

A. The authority may contract with the United States for the delivery of Colorado river water in excess of the initial eighteen thousand five hundred acre-feet a year that the United States makes available to the authority.

B. The authority may apportion Colorado river water, water credits or effluent that it obtains in excess of the initial eighteen thousand five hundred acre-feet a year between municipal and industrial uses in the manner that the authority determines to be appropriate after considering the water needs of the county in which the authority is formed.

C. The authority may contract with a multi-county water conservation district or its successors or with subcontractors of a multi-county water conservation district or their successors for the delivery to the authority of Colorado river water available to the central Arizona project.

D. The authority may purchase, lease, sever, transfer or retire water rights to the Colorado river in this state.

E. The authority may lease Colorado river water apportioned to this state from Indian tribes that are entitled by decree to that water and whose reservations are located in the lower basin of the Colorado river system in this state.

F. The authority may store, recharge and recover any water or effluent available to the authority to the extent allowed under any provision of chapter 3.1 of this title and may enter into exchanges of water or of water credits within or outside the county in which the authority is formed to the extent allowed under any provision of chapter 4 of this title.

G. The authority may contract for the storage or recovery of effluent to the extent allowed under any provision of chapter 3.1 of this title and may contract for the delivery or purchase of effluent.

H. Under terms specified by the authority and subject to subsection B, the authority may enter into subcontracts with authority members and other water providers in the county where the authority is formed for the sale, exchange or other disposition of Colorado river water, water credits or effluent acquired by the authority pursuant to this section. In connection with those subcontracts, the authority may charge or impose standby or holding charges, development impact fees, connection fees, extraction fees, user fees, administrative fees or any other fees or charges that the authority determines to be necessary to recover the authority's costs of making the water, water credits or effluent available under the subcontract. The authority may impose additional fees or charges as the authority determines to be necessary or prudent to fund the acquisition of replacement supplies of water for the authority.

I. Any subcontract under this section shall require Colorado river water delivered pursuant to the subcontract to be used in the county in which the authority is formed.

## Article 4 - Construction Contract

45-2261. Construction work and purchases by bid only; exceptions; award of contract

A. The authority shall undertake the construction of projects or facilities by contract and not by force account. For construction contracts exceeding twenty-five thousand dollars, notice shall be published for at least two days in a newspaper of general circulation in the county in which the authority is formed, except in emergency cases to prevent imminent loss or danger. All contracts shall be let by public bid to the lowest responsible bidder. The authority may call for sealed bids and may accept or reject any bid. Bids shall be accompanied by a reasonable bid bond in an amount determined by the authority. The authority shall

require that a bond or bonds as are required under title 34, chapter 2, article 2 shall be provided and secured for construction contracts exceeding two hundred thousand dollars.

B. All purchases and contracts made by the authority for material or services other than personal or professional services shall be made after advertising in a manner and time sufficiently in advance of opening bids as the authority deems adequate to ensure appropriate notices and an opportunity for competition. Advertisement is not required, and the purchase may be made in the open market in any of the following cases:

1. An emergency requiring immediate delivery of materials or performance of the services.
2. Repair parts, accessories or supplemental equipment or services that are required for material or services previously furnished or contracted for.
3. If the aggregate amount involved in the purchase of material or procurement of services does not exceed twenty-five thousand dollars.

C. In comparing bids and making awards the authority shall give due consideration to such factors as:

1. The relative quality and adaptability of materials or services.
2. The bidder's financial responsibility, skill, experience, record of integrity in dealing and ability to furnish repair and maintenance services.
3. The time of delivery or performance offered.
4. Whether the bidder has complied with the specifications.

D. Subsections A, B and C do not apply to any contracts entered into with a state or federal agency, a political subdivision or an Indian tribe.

E. The board may cause the review and approve or reject all specifications, plans and construction contracts before their finalization.

## Article 5 - Financial Provisions

### 45-2281. Establishment of funds; allocation of authority revenues; member dues

A. On the authority's formation, a grant fund, a water acquisition fund and an operating fund are established. The authority's revenues shall be deposited in and disbursed from the funds as provided by this section. Revenues deposited in the grant fund may be used to make grants to authority members for water acquisition, water conservation and water reuse. Revenues deposited in the water acquisition fund may be used to acquire water pursuant to section 45-2245. Revenues deposited in the operating fund shall be used as provided in subsection E of this section.

B. Except as provided in subsection D of this section, all revenues of the authority shall be deposited in the grant fund except the following:

1. Dues paid by authority members which shall be deposited in the operating fund.
2. Ten per cent of all amounts paid by municipal subcontractors under subcontracts entered into as provided in section 45-2244, subsection B which may be deposited in the operating fund or the water acquisition fund as determined by the board.
3. Fifty per cent of all amounts paid by subcontractors of the authority pursuant to subcontracts entered into as provided in section 45-2244, subsection E or F.
4. That portion of the monies earned by the authority under subcontracts entered into pursuant to section 45-2245, subsection H that is equal to the cost to the authority of obtaining the water transferred under those subcontracts and, after payment of seven million five hundred thousand dollars as adjusted pursuant to subsection C of this section, all of the monies earned from those subcontracts.

C. Except as provided in subsection B of this section, all of the authority's revenues shall be deposited in the grant fund until the full amount of the initial grant and any additional amounts required in a grant agreement between the authority and the member that receives the grant have been disbursed from the grant fund as provided in this subsection. The initial grant from the grant fund shall be made to the authority member that transferred, or caused to be transferred, to the authority the right to the delivery of eighteen thousand five hundred acre-feet per year of Colorado river water in connection with the authority's formation. The amount of the grant to that member shall equal seven million five hundred thousand dollars plus any additional monies that the authority and the member agree to in a grant agreement between the authority and the member, which amount shall be adjusted annually from the date of the authority's



formation either for inflation or as may otherwise be provided in the subcontracts of the authority or in the grant agreement, until the amount of the initial grant required by this subsection and any additional amounts required by the grant agreement are paid in full. The initial grant may be disbursed in a lump sum or in partial payments in accordance with the request of the authority member that is entitled to receive the grant and as revenues become available to the authority and are deposited in the grant fund. The authority member that is entitled to receive the grant may request that disbursements be made whenever revenues have been deposited in the grant fund. Notwithstanding section 45-2282, the authority shall promptly disburse those revenues that are deposited in the fund on receipt of a request from that member.

D. After the disbursement of the full amount of the initial grant and any additional amounts required in a grant agreement of the authority from the grant fund as provided in subsection C of this section, the authority's revenues, except dues paid by authority members, may be deposited in the grant fund, water acquisition fund or operating fund as determined by the board.

E. The authority shall establish a schedule of dues that is sufficient, when aggregated with other monies available for the payment of administrative expenses, to pay the estimated administrative expenses of the authority. Dues shall be assessed and allocated equitably among authority members as determined by the board. All dues received by the authority shall be deposited in the operating fund. Expenditures may be made from the operating fund to pay:

1. The authority's administrative expenses.
2. The costs of the authority's formation including an equitable portion of the costs of the municipal corporation that transferred rights to the delivery of Colorado river water as provided in section 45-2202.
3. The costs associated with holding any entitlement to water acquired by the authority.
4. Subject to subsection C of this section, the costs incurred by the authority in the operation of any project undertaken by the authority pursuant to this chapter.
5. Amounts payable to the United States annually for the right to hold and use the eighteen thousand five hundred acre-feet per year of Colorado river water acquired by the authority pursuant to section 45-2202, subsection C which amounts may include any tax, fee or excise imposed upon the sale or transfer of the water.

F. Any authority member that is in arrears in the payment of its dues for more than sixty days shall lose the right of its appointed director to vote on all authority matters until all of the dues that are in arrears are fully paid. An authority member whose dues are in arrears does not lose membership in the authority because of the arrearage.

#### 45-2282. Operating budget

A. On or before the third Monday of July of each year, the authority shall adopt a budget for the fiscal year that begins on July 1 of that year. The budget shall include:

1. A complete statement of the sources and amount of all revenues received by the authority during the year ending June 30 and the funds into which the revenues were deposited.
2. A complete statement of expenditures and disbursements identified by class that were made by the authority during the year ending June 30 and the funds from which the expenditures were made.
3. An estimate of all revenues to be received by the authority during the year beginning July 1 and a listing of the funds into which the estimated revenues will be deposited.
4. An itemized estimate of the amount of expenditures or disbursements that the authority may make from each fund during the year beginning July 1 that, subject to the provisions of this section, may include expenditures for contingencies and emergencies.

B. The authority shall not budget any expenditure or disbursement from a fund that exceeds the amount of revenues estimated to be received by the fund during the year beginning July 1 except that revenues deposited in the grant fund may be expended for the purposes specified in section 45-2281, subsection C. The authority shall not make any expenditure or disbursement from a fund during the year that exceeds the amount budgeted to be expended or disbursed from the fund during the year.

C. Subject to the requirements in section 45-2281, subsection C, the authority may allocate unexpended revenues among funds on or before June 30 and include the unexpended revenues of a fund in the budgeted amount of expenditures or disbursements to be made in the fiscal year that begins July 1.

D. The allocation of revenues into the funds and the budgeting, expenditure and disbursement of the funds is at all times subject to section 45-2281, subsection C.

E. On or before the third Monday of July of each year, in connection with the preparation of the budget required by subsection A of this section the authority shall prepare a comprehensive statement of the authority's assets and liabilities and sources and application of funds.

F. The board at any time may authorize the preparation of an audited financial statement of the authority according to generally accepted accounting principles applicable to public bodies.

G. The authority shall file copies of the budget and financial statements with each member of the authority within thirty days of their adoption by the authority.

**45-2283. Investment of revenues**

The authority may invest revenues of the authority in securities and deposits with a maximum maturity of three years. All revenues shall be invested in eligible investments. Eligible investments include:

1. Certificates of deposit in eligible depositories as provided in title 35, chapter 2, article 2.1.
2. Interest-bearing savings accounts in banks and savings and loan institutions doing business in this state whose accounts are insured by federal deposit insurance for their industry.
3. Repurchase agreements with a maximum maturity of one hundred eighty days.
4. Bonds or other evidences of indebtedness of the United States or any of its agencies or instrumentalities if the obligations are guaranteed as to principal and interest by the United States or by any agency or instrumentality of the United States.
5. Bonds or other evidences of indebtedness of this state or any of its counties, incorporated cities or towns or school districts.
6. Deposits placed in accordance with the procedures prescribed in section 35-323.01.